

4 NU AND THE SME SECTOR

4.1 Introduction

Independent retailers have a limited number of opportunities to distinguish themselves from competing shops and large chains. The market position of the small retailer has been under pressure for years. Cutthroat competition causes the defection of more and more customers to large national chains and leads to decreased turnover. SMEs have a limited ability to advertise, and the opportunities for customer retention, such as through special offers or neighbourhood loyalty cards, are similarly few.

With respect to the environment, a large number of regulations are aimed at SMEs, often with some expense attached. However, few of them are visible to the public. In addition, extending the range to include more sustainable products requires specialist knowledge, something which even wholesalers only have in limited amounts.

The slow decline in the number of independent retailers from shopping streets, as a result of a lack of customers, the changing composition of the population in the neighbourhood and unaffordable rents, for instance, does not make life any easier for those that remain. In the more popular shopping streets, the branches of national chains are on the increase, while in other streets the rise of mobile phone houses and snack bars cannot be stopped.

Essentially, shops would not only benefit from more opportunities to get to know their present customers better and to bind them more closely, but also to identify potential customers and approach them with customized effective marketing instruments. The NU card scheme offers these possibilities at very low costs.

4.2 Sales arguments

More loyal customers

Using the NU savings card, customers of participating shops are rewarded with attractive presents for buying products. This will bring those customers back more often to buy additional items. In this way, the savings card helps tap the latent consumer demand. The more products the customers buy, the larger the turnover and profits per customer. Not only that, but green products often have a higher price and comparable margin, resulting in higher gross profits after deduction of costs.



Direct income

Retailers can issue cards free of charge. They then receive an allowance of € 1 for each cardholder they recruit. As expected, the retailers issue the cards to their regular customers. This enhances loyalty on a structural basis.

New customers

The Rotterdam campaign for the NU card scheme was held around the shops, in the neighbourhoods and throughout the city. As part of this large-scale promotion, participating shops are also regularly placed in the spotlight. Bureau NU-Spaarpas provides promotional materials for the shops, such as posters, flyers and a mention on the website. Cardholders are informed about the range of sustainable products in shops via NU-magazine. This can generate new customers as the rewards entice interested consumers to the shops. In addition, there are also special offer vouchers. These vouchers award bonus points for specific products, and are sent to the participants by E-mail or post.

Marketing information

Bureau NU-Spaarpas can perform analyses of customer databases, allowing shops to better match their range of

products to their customers. In this way, small retailers can actively approach consumers via the NU card scheme. Based on the database, the NU card scheme knows when, where and which cardholder made a purchase. Using this information, the NU card scheme can launch personalized campaigns, for example, aimed at all cardholders from a particular area that do not yet frequent a certain shop. The offer encourages the consumer to visit that shop. If the consumer is pleased with the purchase, the likelihood is greater that he or she will return. Bureau NU-Spaarpas always approaches the cardholders itself, using its own media; the retailers are never allowed access to personal data.

Inexpensive promotional opportunities

For many retailers, the affordable and extensive advertising opportunities are an important reason to participate in the programme. SMEs rarely have such a varied and advanced arsenal of communication channels at their disposal at so little expense. All commercial participants are permanently listed on the NU website and in the Saving and Cashing booklet. In addition, the NU card scheme offers retailers the possibility of advertising in the magazine. This system also allows mailings to be sent to specific groups that the database indicates might be worthwhile for a specific shop, such as people in the neighbourhood.

A positive image

A great deal of attention is being devoted to Maatschappelijk Verantwoord Ondernemen (MVO: socially responsible business), although it is mostly large companies that adhere to this. For SMEs it is difficult to operate within the confines of MVO, despite the fact that the desire to work in a more socially responsible manner often does exist. The NU card scheme offers a simple and feasible way of doing business that allows small and medium-sized shops to incorporate MVO into their business, chiefly by promoting conservationist and environmentally friendly

products and contributing to neighbourhood initiatives. The advantages are obvious: larger sales in the range of sustainable products, a positive image and a higher degree of customer satisfaction. In a lot of cases, the NU card scheme is an eye opener for everyday commercial participants, and the first step on the way to MVO.

Self-preservation

The NU card scheme is based in part on the success of ‘customer loyalty systems’, which are usually only viable for large chains. However, the NU card scheme focuses explicitly on SME shops, and the savings system contributes to the independence of these shops.

4.3 Strategic choices in the demonstration project

Criteria for participation

At the start of the NU savings programme in May 2002, points could be issued only for explicitly sustainable products and services. Although the definition of sustainable was broad, for many shops the number of eligible products was too small. Furthermore, point issuers were strictly separated from point receivers.

The market launch of a programme such as the NU card scheme will inevitably encounter a particular start-up problem: how to achieve a critical mass of both cardholders and commercial participants as quickly as possible. For households, the card becomes more worthwhile only when there are sufficient shops where points can be saved and when there are enough possibilities for redeeming in those points. Similarly, the more cardholders there are, the more rewarding it is for shops to participate. The

greater the scale of the system and the more well-known it is, the easier recruiting becomes.

During the initial few months after the launch, the number of participating shops lagged far behind the objective, and the perspectives for a rapid increase were not favourable. The number of points that could be saved per shop visit also remained low, because most shops (with the exception of green shops) had only a few products that qualified. Shop owners had their doubts about the loyalty-increasing potential of the NU card scheme and cardholders did not have enough opportunities to save.

This is why several changes were made to the savings programme in October 2002, to make the programme more attractive to both retailers and consumers:

- Participating retailers can issue a set number of points (generally one point per euro) on all their 'grey' products.
- In addition, the retailers can award four times as many points for 'green' products as for 'grey' products, generally four points per euro.
- Furthermore, if they so desire, they can also offer one or more redemption articles. These are sample products ('green specials'), that are sustainable and match the range of the shop in question. The redeemed points are offset against the issued points.

This made the programme more lucrative to both retailers and consumers, while the stimulus to buy and sell more sustainable products remained.

Staff

At the same time, the sales team was expanded by three experienced sales persons who, while having an affinity with sustainable consumption, do not project that image. This makes them perfect people to talk to 'mainstream' SMEs. The recruitment of commercial participants became



considerably more effective with their participation.

Neighbourhood activities

In May 2003, the retailers on the Peppelweg, a shopping street in the north of Rotterdam, collaborated closely with the NU card scheme to organize various neighbourhood activities. Through focused visibility in the neighbourhood (street teams, advertisements, etc.), the NU card scheme was used as a neighbourhood instrument: residents and retailers joined forces to create a neighbourhood where quality of life comes first. An important condition in this respect was that the neighbourhood retailers indicated that it should be possible to redeem locally issued NU savings points.

Costs

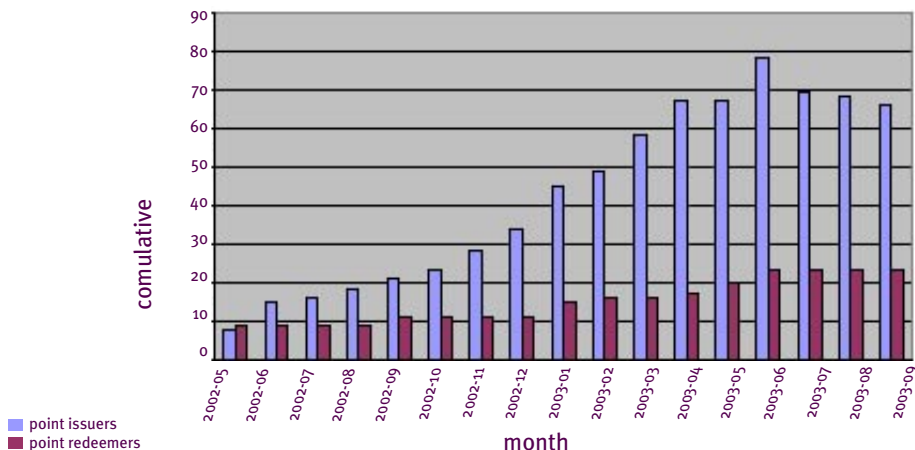
Point issuing shops generally reimburse 1 to 4 percent of the purchase price to the cardholders in the form of NU points. Receiving shops offer products in exchange for NU points, with discount percentages at an average of 30 percent. This is only possible if they can use their residual capacity effectively (low marginal costs), such as with cinema seats during off-peak hours or articles that do not sell fast enough. Another possibility is to work with special offers ('green specials') that have a higher margin.

4.4 Results and recommendations

Number of participating shops

The number of participating shops began to truly increase from October 2002 onward. In June 2003, the 100th commercial participant was welcomed aboard. This is illustrated in the graph below.

NUMBER OF PARTICIPATING SHOPS



A decline is noticeable after July 2003. This was caused by the announcement that the savings programme might be discontinued as from 1 October and by the fact that the recruitment of commercial participants was stopped in July.

The point issuing businesses include bicycle shops, health food shops, coffee and tea shops, bakeries, interior decorating shops, florists, tailors and butchers selling free-range meat products. The point receivers included an art library, several museums and a public swimming pool.

Visibility of participating shops and sustainable products
The shops participating in the NU card scheme can be recognized by a sticker on the door and by displays in the shop. Discussions with retailers revealed that the visibility in and around the shops can be enhanced further by using such items as posters, doormats and flags, and that sustainable products can also be made more visible, using NU stickers on the products and signs on the shelves.



Shift in the range of products

The NU card scheme made shop owners think about feasible and profitable adjustments to their range. The knowledge of and attitude towards sustainable products certainly changed for the better. However, actual changes have not yet occurred. This will probably require a much more intensive degree of advising and supervision by the NU account team. However, this team initially gave priority to increasing the number of participating shops in as little time as possible, and its hands were full just doing that.

No proper behaviour without self-interest

by Marleen Janssen Groesbeek

Businesses cannot be trusted when it comes to acting for the general good, unless they are bound by rules or unless that which is expected of them is also in their interests. To me, the key is how to approach socially responsible business: a centuries-old key. Scottish philosopher and father of the economic sciences Adam Smith already described it in the eighteenth century.

Businesses are not charities. They have to make a profit in order to ensure their continued existence. And that is definitely socially responsible. Without companies, there would be no jobs and none of the products we require. If we want appropriate behaviour from businesses, we have to create proper legislation. Or, and this is something that often works better, inappropriate behaviour should have negative financial implications. This can be arranged by way of a direct settlement of the damage done, by a roundabout way using reputation and the stock exchange, or by making bank loans more expensive for non-sustainable activities. Increased costs mean less profit.

It is often still easy to make a profit in a socially irresponsible manner. National governments are sensitive to business lobbies that want to charge certain costs to society as a whole. The most recent example is the US government that – again – wishes to give businesses more leeway (i.e. lower costs) for polluting the air. And what is easier than going to a developing country that is desperate to attract foreign investors and building a factory that is not overly strict in implementing safety measures, and where the employees work more than twelve hours a day?

Luckily, more and more business owners and managers are becoming convinced of the importance of the environment and the human race for their profits and continued existence. Some took a long time to realize it (over the course of a hundred years), while others found out the hard way. Fast communications and international social organizations make it more difficult to put children and adults to work in degrading circumstances. Also, the employees themselves have greatly influenced the social image of their respective businesses.

Against the backdrop of the heat wave in the summer of 2003 and the loosening of the US environmental policy, the focus has to return from the social aspect (human rights, employee rights, child labour) to the environment. Perhaps we should start by suing the Bush administration and a number of American companies for the greenhouse effect.

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