



## Executive Summary

### Sales and Marketing Proposal to Increase Rewards Memberships in Low-Income Markets

The U.S. Federal Government's definitions of low income are tied to regional income demographics. For our campaign, we define low income as being at 100–200% of the national average poverty line for the 48 contiguous states:

Persons in Household	48 Contiguous States and D.C. Poverty Guidelines (Annual)				
	100%	133%	138%	150%	200%
1	\$12,760	\$16,971	\$17,609	\$19,140	\$25,520
2	\$17,240	\$22,929	\$23,791	\$25,860	\$34,480
3	\$21,720	\$28,888	\$29,974	\$32,580	\$43,440
4	\$26,200	\$34,846	\$36,156	\$39,300	\$52,400
5	\$30,680	\$40,804	\$42,338	\$46,020	\$61,360
6	\$35,160	\$46,763	\$48,521	\$52,740	\$70,320
7	\$39,640	\$52,721	\$54,703	\$59,460	\$79,280
8	\$44,120	\$58,680	\$60,886	\$66,180	\$88,240

Source: [2020 Health & Human Services Poverty Guidelines / Federal Poverty Levels](#)

According to the U.S. Census Bureau, the total percent of households with incomes up to \$49,999 is 37.1%.

Low-income populations represent a large untapped market for our company's rewards membership program. However, drawing customers of limited means to this program will require marketing and sales strategies that are creative, ethical, and mutually beneficial.

#### What We Are Proposing

Our loyalty membership program is proposing a marketing and sales initiative to increase loyalty card memberships in low-income neighborhoods.

Specifically, we aim to improve the quality of life for both our customers/members and their communities through incentives tied to the membership:

- Our consumers would earn points based on their individual purchases.
- Their communities would earn points based on both the number of members in the community and the total purchases those loyalty members make.

Low-income consumers would realize the benefits of points earned through our program membership. At the same time, points earned in aggregate by communities via purchases would be converted into charitable donations to nonprofit organizations or schools that serve the neighborhoods or regions of our low-income members.

## Considerations of the Target Market

As previously mentioned, a key consideration of this initiative is eliminating barriers to access.

According to the [Pew Research Center](#), among households with incomes below \$30,000 a year in 2019, roughly 30% did not own a smartphone, 46% did not have a desktop or laptop computer, and 44% did not have broadband Internet access. According to [a recent survey by the FDIC](#), 25% of U.S. households are “unbanked” or “underbanked.” An “unbanked consumer has no bank accounts of any kind—no savings, no checking, no loans. An “underbanked” consumer may have a savings and/or a checking account but may also use nonbanking financial outlets such as payday loan or check-cashing services.

In contrast, our current typical rewards member has a household income of \$85,000 a year and purchases their membership online with a credit or debit card. Most purchases and points redemptions made through this membership are also done online.

## How to Reach Our New Target Market

While social media marketing strategies should still be employed, the missing or reduced access to Internet technologies among low-income populations indicate a need for additional channels.

Direct mailings to individuals in the targeted areas will be one option. But because many of the members of the community may not be on the mailing lists, we will want to go beyond direct mail.

We would also use a temporary hiring agency to recruit members of the community to distribute leaflets and fliers to their neighbors, and to place them in community centers and other public spaces. By “other public spaces,” we include such strategies as tacking or taping fliers on trees and buildings in the neighborhood, placing fliers under car windshields wipers, handing fliers out on busy intersections, creating doorknob tags, or stuffing fliers into mailboxes. Which combination of outreach tactics we use would depend on the geography and infrastructure of the community.

To augment the youth market outreach, we propose two approaches. First, we will partner with high schools to create a card that can be customized to use school colors, logos, and mascots. In return, the schools will receive a regular donation from us based on a percent of sales generated by those who carry and use the school-associated loyalty card.

As an extension of the school partnership, we will identify students who are influencers among their peers. We will recruit them to be ambassadors via discounted memberships and membership points awards credited to their accounts. Because we want to reach younger adults who are emerging buyers, these ambassadors will receive t-shirts branded with our logo and the school’s mascot so that being a part of the rewards program is associated with peer activities and considered “cool.”

The rewards to ambassador accounts will be based on the growth of memberships associated with the high school card. Memberships can come from other students or their family members.

Secondly, we also propose partnering directly with brick-and-mortar merchants to set up kiosks with information about the rewards program and ways to sign up in person. We plan to identify merchants who own local businesses or franchises—a corner grocer, for example. Our employees representing the diversity of the community served would also be available to give presentations at stores and community centers.

## Combining the Rewards Program with Other Sales Initiatives

We currently run ad campaigns in local newspapers, via social media, and other distribution channels that target low-income consumers with discount coupons. We recognize that low-income rewards members may make

purchases that combine the use of the membership card with the use of the discount coupon. That is, if two or more items are purchased, it is possible that one of them will have a coupon.

For award points accounting simplicity, we propose to base awards points on having the coupon discount rate apply to the entire purchase and not just to the one item the coupon was for. This practice is known as *pro-rata coupon accounting* and is a common rewards program accounting method. Here is an example of how it works. Imagine a customer purchases two items: Item A at \$10 and Item B at \$20. In a non-coupon transaction, the customer would have \$30 applied to their rewards points. If the customer uses a 20% off coupon for Item B, the final purchase price is \$26. However, in pro-rata coupon accounting, the discount rate is applied to the entire \$30 for rewards purposes, meaning the customer will be credited for a \$24 purchase.

The efficiencies of this method will reduce accounting costs, off-setting some of the increased costs associated with reliance on our paper-based marketing campaigns.

### Selling and Implementing the Program

The same brick-and-mortar small business partners who market the program could also enable sales to cash customers and provide a physical card for customers without smartphone access to earn or redeem points. These key partners would receive an incentive in two ways.

First, our credit fees are 2.5% for swiped cards and 3.5% for keyed-in transactions. We would offer our partners 2% for each cash transaction.

Second, we would give each participating local business owner partner a gratis loyalty membership. In addition to that free membership, for every 25 rewards memberships a partner sells, we would provide \$50 in bonus points to their loyalty membership account.

Third, because many of these consumers will be new customers, we would tailor the membership application to collect useful engagement data. For example, we can ask for mailing addresses, the option for parents to provide the names and birthdates of children so that we can send them discounts codes and coupons for age-appropriate merchandise as birthdays approach.

### Ad Lines for the Marketing and Sales Campaign

We propose the following marketing and sales themes and campaign lines. We know from demographic research that many low-income communities have people and families who are supportive of others: they donate to foodbanks, run errands for neighbors, and help in emergencies. These following lines appeal to these qualities and instincts while capturing the benefits of membership and the savings members accrue.

- Membership pays for itself
- Purchases become rewards
- The more you buy, the more you give to your [school], [community], [local charities]
- There is no better way to give
- The best way to help your neighbor is to help yourself to our loyalty membership

### Individual Incentives

The key to this program's success is proper selection of brick-and-mortar partnerships. We need to be where our customers go to shop, such as grocery stores, gas stations, and local retailers. Individual rewards redemptions would focus on any purchase of our products or services.

## Community Incentives

It is essential to distinguish between rewards earned by individuals and rewards earned for the community. The value of community-based incentives would be determined by the number of customers enrolled in a given community, while the distribution of incentives could be selected by the consumer or based upon the type of purchase made. For example, grocery store purchases could earn points for local food banks and homeless shelters; sporting good purchases could benefit community recreation centers; and educational and technology purchases could benefit local schools. And as stated earlier, the membership card for young adults tied to the high school would benefit the high school specifically.

## Why We Are Doing This: Benefits to TBL

In accordance with our commitment to corporate social responsibility, we are evaluating all initiatives against the three Ps of the triple bottom line (TBL): People, Planet, and Profit. This initiative should be viewed as both a moral and economic opportunity. We must be alert to the profit opportunities in providing affordable products and services to a previously overlooked population.

At the same time, we must approach this opportunity in such a way that the rewards we offer to low-income populations benefit them and their communities. If we do this right, we foresee the dual benefits of increased profits while helping people who are struggling.

Finally, we must ensure that the measures we take to market are environmentally neutral. If properly implemented, profits realized through this program could be reinvested with companies that support green initiatives, further enhancing our positive impact on the planet.

## Cost Analysis: High-Level Projected Sales and Expenses

In **\$millions**, rounded, for a campaign in the 48 contiguous United States—

Projected Sales Revenue	500
Total Sales and Marketing Expenses	(280)
Total Research and Development Expenses	(6)
Total General and Administrative Expenses	(2)
<b>Gross Profit</b>	<b>212</b>
<b>Total Operating Expenses</b>	<b>(112)</b>
<b>Net Profit</b>	<b>100</b>