

# Dorothy Lane Loves Its Customers

*Do you love your best customers so much that you'll fire your lousy customers? Dorothy Lane Markets does. Here's a cutting-edge lesson in service and loyalty from a gutsy grocer in Dayton, Ohio.*

BY SCOTT KIRSNER

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It takes a tough grocer to be tender with customers. Norman Mayne, 50, CEO of Dorothy Lane Markets (DLM), knew that he was flouting local etiquette when, back in 1995, he started talking about “firing” customers. But he meant what he said. The second-generation neighborhood-grocery owner decided to “weed out all of those people who weren’t regular customers” — and then launched the most radical loyalty program in the supermarket industry. Today, as members of Club DLM, Dorothy Lane’s best customers get the kind of treatment that you’d expect from a sales rep who’s chasing a million-dollar account: free bouquets of flowers, free turkeys at Thanksgiving, Christmas gifts, invitations to concerts.

Of course, plenty of supermarkets offer discounts in exchange for demographic information and data about purchases. But most supermarkets also spend thousands of dollars every week to advertise specials in the newspaper or to shotgun direct-mail pieces to homes in their area. That’s where DLM, a \$38 million operator of two upscale groceries in Dayton, Ohio, begins to break ranks with its competition.

“We realized that we couldn’t give club members the deals that we wanted to give them if we continued spending \$5,000 to \$10,000 a week on print advertising,” says Mayne, whose father, Calvin Mayne, started Dorothy Lane as a roadside stand in 1948. So, on October 27, 1995, four months after starting Club DLM, Mayne ran his last ad in the Dayton Daily News.

“Whenever we ran those ads, offering a special on pork-and-beans, all we did was attract ‘cherry pickers,’ “ Mayne says. “It was an exercise in futility. It was a headache for us — and for our regular customers.”

So Mayne ceded the cherry pickers to Kroger and Meijer, his chain-store rivals. Some of his talk about ditching fair-weather shoppers ruffled feathers. But once people saw the results of this new strategy, their worries dissipated.

“This program gave us an extra three points of gross margin to

give back to our best customers,” says Mayne. Last Christmas, each store’s 100 best customers received a Zyliss cheese grater, along with a pound of parmigiano-reggiano cheese and a thank-you. The company’s 5,000 biggest spenders got invites to an oldies show — which was one of Dayton’s hottest tickets last summer.

Amy Brinkmoeller, 27, DLM’s director of information systems, is careful to point out that “we may have stopped advertising, but we haven’t stopped communicating.” Brinkmoeller, who’s in charge of the loyalty program, sends out a monthly newsletter to the company’s top 9,000 customers. But not every newsletter is alike. Different versions contain coupons pegged to different spending levels. And, since DLM tracks purchases so closely, it can also send highly targeted offers to its customers. Four to six customized communications go out ( usually in postcard form ) every month.

The loyalty program has allowed Mayne to focus more on his customers and less on the competition. “I used to be able to recite Kroger’s prices to you on any given day,” he says. “I don’t even look at its ads now.” Of course, DLM isn’t immune to competitive pricing — but the company now responds to it more intelligently. “Last summer, we had a price war on milk in Dayton,” recalls Mayne, who started working full-time for DLM at age 18. “Grocers were paying \$1.70 a gallon for milk and selling it for 99 cents. We knew that one way to go broke was to lose 71 cents on an item that people buy 200 times a year. So, for good customers, we printed coupons that let them buy milk for 49 cents a gallon, limit five. People who just stopped into the store paid \$1.89.”

The loyalty program is only the most recent outgrowth of DLM’s grassroots orientation. Members of its Kids Club come to the store on Saturdays for events like a Hawaiian luau or a cake-decorating contest. Toddlers compete in its Baby Derby to be crowned Dayton’s swiftest crawler. DLM delivers groceries ( at a loss ) to 175 elderly customers — because, as Mayne says, “they have shopped with us all of their lives.”

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To ensure that DLM stays in touch with its core constituents, the company formed a consumer advisory board ( pictures of board members are posted at the front of the main store in Oakwood ). “They meet four to six times each year,” says Brinkmoeller, “and they focus on a different department of the store at each meeting.” Board members, who serve two-to-three-year terms, have also made benchmarking trips ( paid for by DLM ) to supermarkets in Chicago and Atlanta.

Mayne understands that poor service undercuts efforts to cultivate loyalty, and so another of his top concerns is motivating employees. He has turned backroom jobs into center-stage performances, and DLM staffers into local celebrities. Les Ivory, 33, specialty-cheese manager at the Oakwood store, can speak on the making of Spanish cabrales cheese ( a mixture of sheep’s, goat’s, and cow’s milk, wrapped in maple leaves and aged in caves for 90 days ). Todd Templin, 28, who runs the wine department, organizes wine shows, bottle signings, and jazz nights. Jack Gridley, 42, DLM’s meat director, took his clerks on a field trip to a cattle ranch to help them understand the products they sell.

“We run this business with our hearts,” explains Mayne, whose 93-year-old mother, Vera Jane, still serves as president. “It’s not in our culture to be complacent in dealing with a customer — or with an employee.”

Visit Dorothy Lane Markets on the Web ( [www.dorothylane.com](http://www.dorothylane.com) ) or contact Norman Mayne by email ( [norman@dorothylane.com](mailto:norman@dorothylane.com) ).