

Jettisoned by Jewel, Fuel Rewards program gains traction

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When Jewel-Osco dropped its Preferred Customer Card two years ago, it brought to an end special discounts offered to loyal shoppers, turning the once-ubiquitous card into a useless piece of plastic.

But its demise has helped another company's card find its way into hundreds of thousands of wallets in the Chicago area.

Fuel Rewards, a benefit embedded in the Preferred card that regularly knocked a few cents per gallon off the pump price at Shell stations, struck out on its own, marketing directly to consumers. Chicago has become its largest market in the U.S., mostly by converting former Jewel cardholders.

"Not every Jewel shopper became a Fuel Rewards member, but a large amount did," said Brandon Logsdon, president and CEO of Dallas-based Fuel Rewards.

Primarily promoted at Shell stations, the program offers customers gas discounts at Shell stations for purchases made at participating retailers. At the pump, members insert their Fuel Rewards card prior to filling up and receive at least 3 cents off per gallon at every visit. Very active users can accumulate enough rewards to make a tank of gas cost next to nothing. There are nearly 700 participating retail locations in the Chicago area where members can earn rewards, including hotels, restaurants, car rental services and stores.

The premise is simple: The more cardholders spend at participating retailers, the more they save at the pump. The retailers reward their loyal customers by paying the price difference to Shell, without discounting their own products and services, and Shell sells more gas.

For nearly two decades, the gas savings program was incorporated by grocery stores as part of their own loyalty rewards offerings. In late 2012, the company began offering Fuel Rewards directly to consumers, soliciting retail partners and gaining significant traction as a stand-alone brand.

Logsdon wouldn't disclose revenues, but said Fuel Rewards has 5.5 million members in the program, saving consumers about \$25 million a month at the pump. Chicago is the No. 1 market, with 350,000 registered members, in part due to an abundance of Shell stations in the market, Logsdon said.

While customer loyalty programs abound, a program that's linked to gas pump savings works well with consumers, primarily because of the satisfaction associated with frequent payoffs, Logsdon said.

"If you think about gasoline, because it's a commodity, consumers redeem it frequently," he said. "They are unlike an airline mile or hotel point program, which are much more aspirational and you only redeem them periodically, in some cases less than once a year. With Fuel Rewards, our consumers are redeeming, on average, once a month."

Like all customer loyalty programs, challenges remain. Getting people to sign up, carry the card and use it adds layers to a sales transaction that can discourage participation, Logsdon said.

No less important, there are only so many cards a person can carry before risking the so-called "fat wallet syndrome," also known as piriformis syndrome, a lower back pain that can be caused or aggravated by sitting on a large wallet. The condition was perhaps best exemplified by George Costanza on a "Seinfeld" episode, whose overstuffed wallet caused him great discomfort before it finally exploded.

To address those issues, Fuel Rewards is rolling out a new technology that can link its card with a consumer's own Visa or MasterCard.

"Consumer wallets are already pretty crowded – they've got a lot of cards in them," Logsdon said.

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