

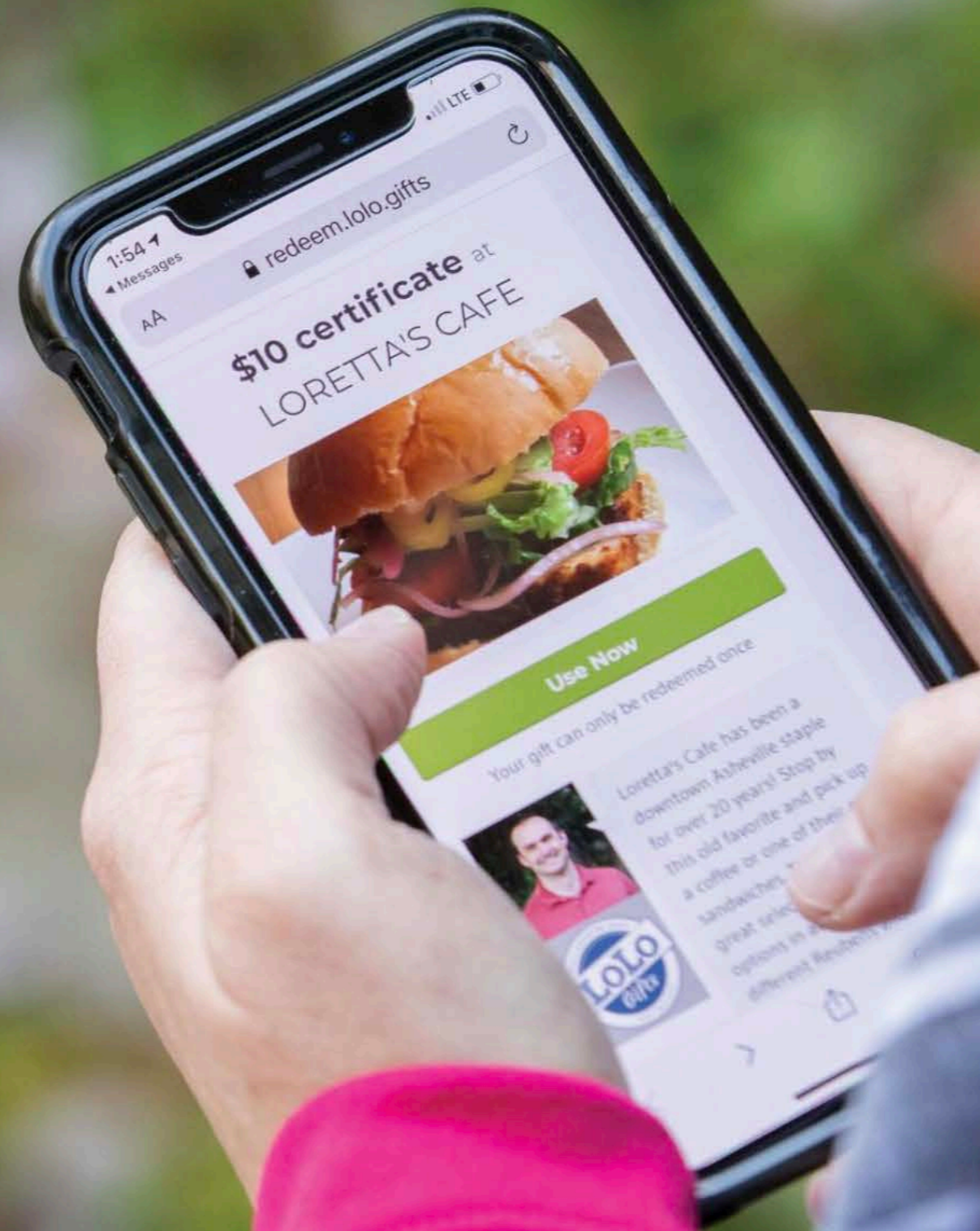
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# LOLO

*An Entirely New App-roach for the Local Rewards Business*

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TECH

LOLO'S FOUNDERS, Clark Harris and Matthew Simpson



**W**hen Clark Harris and Matthew Simpson introduced LoLo in 2013, they envisioned the app as a customer loyalty program built on the burgeoning “shop local” movement that was taking hold across the nation. At its simplest, LoLo was designed as a means for shoppers to earn loyalty points—like they do with credit cards—and redeem their rewards with local rather than national businesses.

A *Featured Capitalist* profile in the June 2016 issue of *Capital at Play* laid out the ambitious, well-thought-out plans and scope of LoLo. But time has a way of changing things, and a mere four and a half years on, LoLo looks and works very little like its creators initially envisioned. It's highly successful but barely resembles the LoLo of seven years ago.

As originally intended, LoLo afforded small, local retail businesses the opportunity to get in on the action of customer loyalty programs. Consumers who shopped local could earn rewards—discounts, special deals, and so forth—in a way that kept the money local. That meant that LoLo would be a win-win for retailers and consumers alike while fostering community. “Originally,” explains Harris today, “our users would connect their existing credit and debit cards to our platform to earn local rewards called LoDough on each of their purchases in the network. Anyone could sign up and start earning and redeeming rewards.”

Initially described as a kind of “anti-Groupon,” after its launch, the LoLo digital loyalty program was rolled out in Asheville and in Andersonville, Illinois, a Chicago suburb. Even at the time of the 2016 profile, Harris admitted that LoLo was already on its fourth iteration; he and Simpson would continue to refine the app with a goal of both making it more effective and expanding the program to other cities across the country.

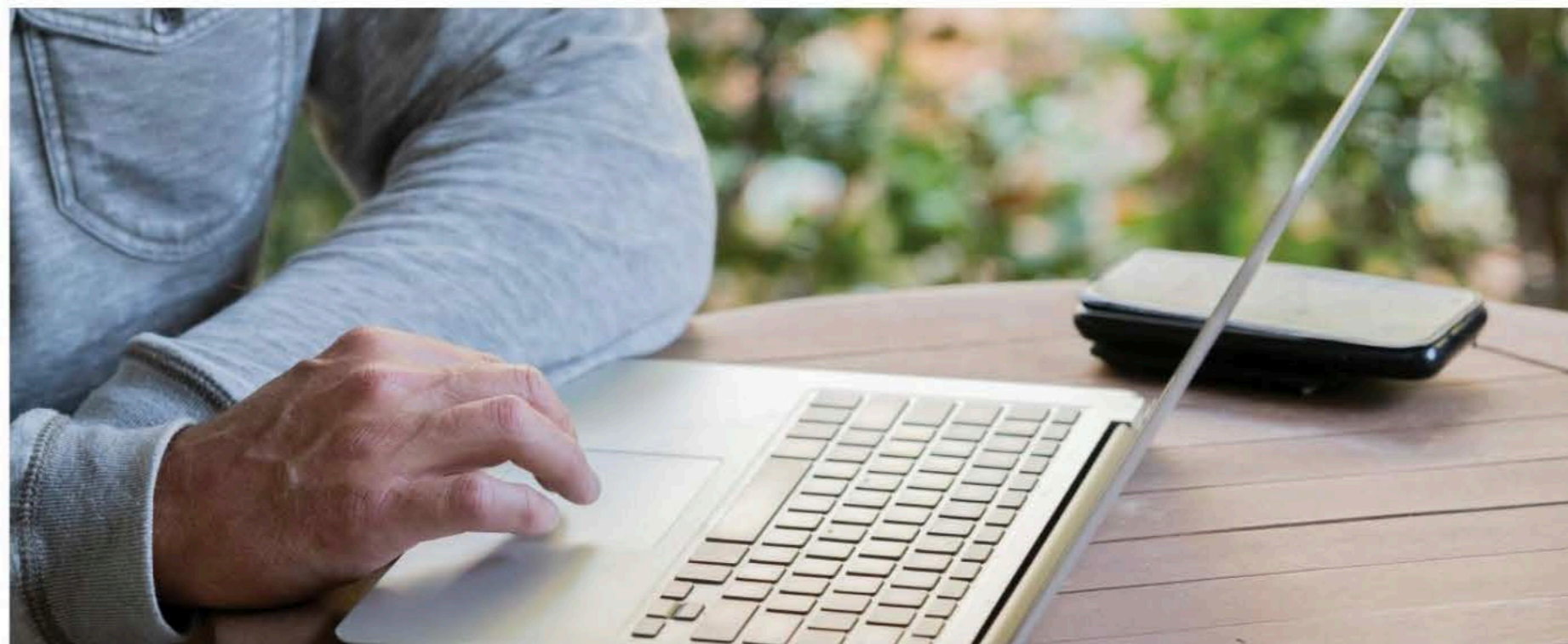
But real-world results from market research soon led the LoLo team to change course. “We did our test market with the local spending rewards in Asheville, Andersonville, Chicago, Spartanburg, and Durham,” Harris explains. “We saw some promising results but nothing that really wowed us.” At the same time, he and Simpson had been exploring a client engagement program—one that strengthens the relationship between businesses and their customers by providing them with local gifts—with Beverly-Hanks Realty. “And that’s what took off,” he says. “It spread like wildfire.”

“The pivot was absolutely huge,” Harris admits. But because he and Simpson were focused more on the outcomes than the mechanics of achieving them, they were able to successfully maneuver and implement that change. “We were willing to make the pivot because we didn’t compromise our mission, so we felt very good about it,” he says. And Harris says that the experience taught him something: “You have to find ways to separate yourself from the emotional aspects of the business and think objectively and logically.”

So by very early 2017, the rewards program was shut down, with the LoLo concept refocused on the client engagement side. “We had two parallel businesses for a little bit and wound up with one,” Harris says with a laugh. “And we’re still together!”

The new LoLo paradigm is rooted in the same local-focused mindset as the original idea, but the infrastructure centers around LoLo client companies rather than consumers. Harris says that the current iteration of LoLo is “a marketing platform where our users, [companies], enroll their clients and contacts into the Local Gift of the Month. Those recipients can use the gifts they receive at the corresponding local independent business that was featured for that month’s gift.” The rewards program is gone; instead, LoLo is “a relationship marketing platform that gives people a more impactful way to spend their marketing dollars,” Harris says. Real estate firms—today LoLo’s most common customers—reward *their* customers using LoLo’s infrastructure.

The streamlined simplicity at the heart of the original LoLo concept remains, and the local focus is still key to the program’s appeal. In fact, Harris and Simpson were ahead



of the curve as they identified a shift in consumer attitudes toward spending their money with smaller, independent businesses, keeping the money in their communities. “Cities like Boulder, Colorado, and Asheville really embody” that kind of thinking, Harris says. “We were kind of banking on it becoming the evolution of the way people operate, and that has proved true.”

In LoLo’s early days, its founders drew “modest salaries” for their work. Today, thanks to the wider success of the retooled LoLo program, Harris and Simpson have been able to give

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themselves a raise. “We rewarded ourselves as we saw growth in revenue,” Harris says. “We were able to participate and celebrate in that growth.”

But they haven’t gone overboard; LoLo remains a lean, efficient operation. “We’re still paid well below the market rate for people in our positions,” Harris admits. But their current salaries are “certainly much more competitive with other jobs that we might take, especially here in Asheville.”

The original LoLo concept offered retailers advantages over other consumer rewards programs: Participation was low-cost. “It was a much more palatable discount that they were giving up,” says Harris. “It was only five percent compared to, arguably, 75 percent with Groupon.”

The re-imagined LoLo of 2020 represents an even better value for participating retailers. “In our [newer] model, when we get vendors participating, we typically pay them full retail values,” Harris explains. “The program costs them absolutely nothing.” LoLo makes its money from the real estate partners who enroll in the program.

Rather than adopt an aggressive market expansion campaign, Harris says that today LoLo takes a very different approach. “We [do] not decide where to grow,” he says. “We basically go where we’re invited. We wait until we meet a candidate for an enterprise partner.” Still, the company doesn’t merely sit around and wait for the phone to ring. LoLo is a vendor partner with the large real estate organization LeadingRE, a worldwide network of more than 550 real estate firms. “We do a lot of outreach to our partners,” Harris says. “And it still takes a lot of work to build those relationships and cultivate that sales pipeline.”

In the 2016 interview, Harris said that LoLo’s goal was “to build one million ‘loyal locals’ nationwide with thousands of businesses who are all benefiting from it.” Four years later, his business has a new and very different goal. “Our model now is to establish the largest network of local independent vendors in the country,” he says, “so we can leverage it to work with larger partners.”

Today’s LoLo approaches the “buy local” concept from a different angle, but the ultimate effect is the same. “We’re not shifting consumer behavior anymore; we’re shifting the marketing behavior of professionals,” Harris says. “The mission is still to support local businesses, we’re just going about it in a much different way.”