The next frontier for Loyalty and the “Third Place” – Part 1

Eric Swecker

“‘**Third Places**’ are anchors of community life, and facilitate and foster broader, more creative interaction.”- Pete Myers

“They exist between the formality and seriousness of the work sphere and the privacy and familial intimacy of the domestic sphere.”- Craig Thompson

Third Places provide an alternative to the First Place (home) and the Second Place (work). To be sure, “Third Places” are places that are commonly accessible and where people find old friends and meet new ones. For retailers, the lift, as measured through the lens of loyalty analytics RFM (Recency, Frequency, Monetary Spend), can be compelling.

In the world of retail, no establishment has better seized the opportunity to become America’s Third Place than **Starbucks**.
The next frontier for Loyalty

In his thought-provoking work, The Great Good Place, author Ray Oldenburg identifies the following critical attributes of a True Third Place.

- Locale must be free or inexpensive
- Food & Drink are important elements (though, by definition, not mandatory)
- Location must be commonly accessible; walking distance for many is the ideal
- It must include “regulars” – folks who make it a habit of visiting

Other attributes to be considered include:

- A laid-back vibe – Stress and tension are not welcome inside a Third Place

- Conversation is the main theme, but certainly not the only activity
- A home away from home – Customers feel comfortable, with the same feeling of warmth and belonging as they do in their own homes
- Income agnostic – Socioeconomic status does not come into play, and pretensions are left at the door

It is interesting to note **Starbucks'** unique position as coffee's Third Place. **Dunkin' Donuts**, some would argue (including Consumer Reports magazine), offers better coffee than Starbucks, charges about $1.00 less per cup, and in many major metropolitan areas, is more ubiquitous and convenient. That said, it is intriguing that millions of US consumers willingly drive further and spend more money for the "Third Place" experience with Starbucks. Of course, with an estimated 66% of all transactions occurring at the Drive Thru, according to Dunkin' Donuts, it is hard to envision their establishments ever being perceived as a Third Place, unless one considers his/her automobile as a Third Place.

In the parlance of loyalty analytics, Dunkin' Donuts succeeds in the areas of Recency and Frequency. Their big challenges are twofold: Increasing the Average Ring, and even more pressing, increasing the number of visits during lunch and evening dayparts. It's the "M" of the "RFM" analytics equation that is at the heart of their challenges. If they were positioned in the consumer pantheon as a **Third Place**, in the spirit of Starbucks, they would realize significant lift in the afternoon and evening dayparts.

To be continued…