

Innovations in Retail Loyalty Programs: Acquiring and Growing Best Customers

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Agenda

1. Trends in Retail
2. Relationship Marketing in Retail
3. Parago Retail Consumer Research Findings
4. Summary

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Trends in Retail Customer Centricity

Trends in Retail

- Product-Centricity → • Customer-Centricity
- Type of Store → • Brand of Store
- Price → • Value
- Broad Assortment → • Relevant Assortment
- Friendly → • Helpful/Knowledgeable
- Clean → • Pleasant/Comfortable
- Location → • Convenience
- Merchandising → • Segmentation
- Shopping Task → • Shopping Experience
- Satisfaction → • Loyalty

Example: Best Buy

- The basis of the Customer-Centricity program was to identify five initial customer segments representing:
 - a. Significant growth opportunities, and
 - b. The most profitable customers they currently serve
- The five initial segments included:
 1. The affluent professional
 2. The focused, active, younger male customer
 3. The family man
 4. The busy suburban mom
 5. The small business customer

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Best Buy Rolls Out Customer-Centricity Program



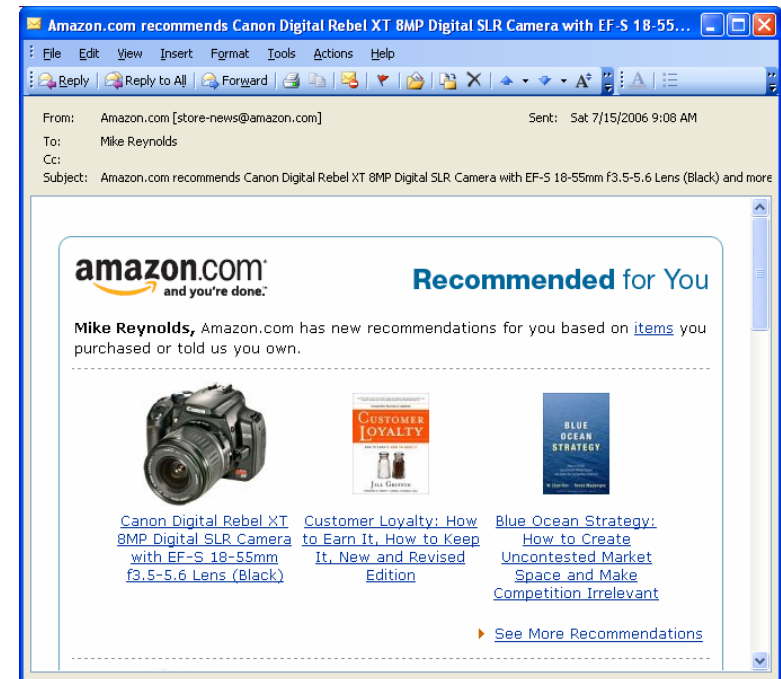
By Martin Middlewood
CRM Buyer
05/07/04 2:41 PM PT

CRM industry analyst Denis Pombriant said that it is - getting customers to buy what is already in stock, appears to me that the 'buy what we have in stock'

Whether it is CDs or refrigerators, megaretailer [Best Buy](#) (NYSE: BBY)  believes it software and home appliances. And it wants customers to keep buying by putting t

Example: Amazon.com

- Customer-centricity involves “starting with the mind of customers and working backward in the supply chain”
- Examples include:
 - Recommendations off the home page
 - Mike’s store
 - Email recommendations
 - Profile page
 - Wish list
 - Gift list



Example: Enterprise Rent-A-Car

- Promoting branches to satisfy customers to the point where they would give top ratings was a "key driver of profitable growth" since those people had a high likelihood of repeat business and of recommendations
- Ranked highest on a customer satisfaction survey by J.D. Power and Associates released in November 2005.
 - It was Enterprise's second-consecutive and sixth time in seven years to top the list
 - Enterprise received the best ratings for overall satisfaction, reservation, pickup process, rental car, shuttle bus/van, return process and rates/value.



Enterprise ranked
"Highest In Rental Car
Customer Satisfaction,
Two Years In A Row"
by J. D. Power and Associates

Buy a Car

[Used Car Deals](#)

Vehicle in the Shop?
We can help

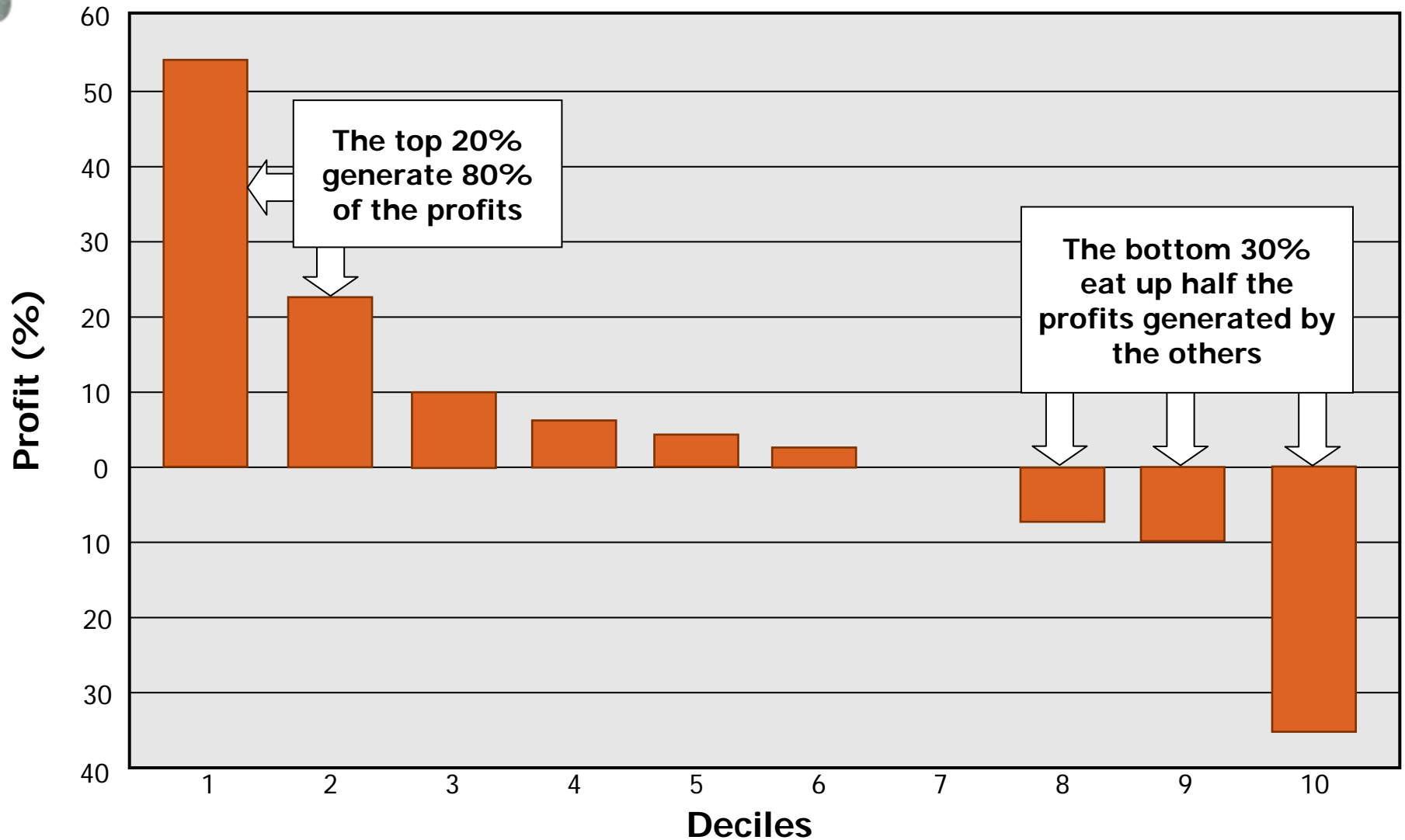
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Example: JetBlue

- Created a major airline in three years
 - 99% completion (of scheduled flights) rate
 - Higher occupancy than any of its competitors
 - Delighted customers (and a willingness to "fire" customers who themselves are rude or crude)
- JetBlue Airways topped all airlines for customer satisfaction in 2006, according to JD Power's



Not All Customers Are Created Equal



Source: *The Loyalty Guide 2004*

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Relationship Marketing In Retail

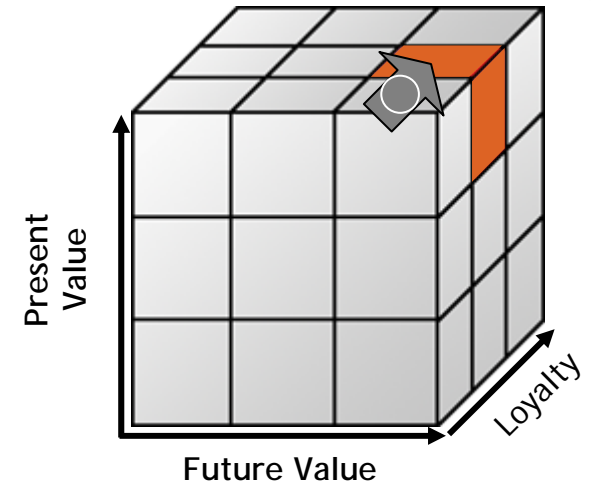
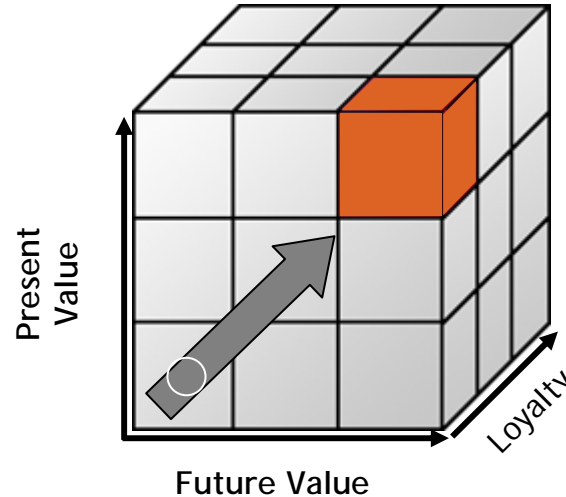
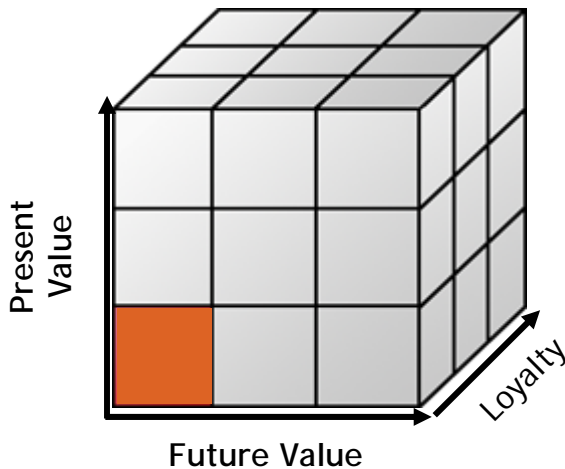
Relationship Marketing

A focused marketing initiative to develop lasting relationships with “best” customers to maximize profitable behavior.

Relationship Marketing uses customer segmentation and insights to drive marketing strategy and the execution of relevant, personalized dialog with targeted customers

The Relationship Marketing Journey

"Relationship Marketing uses the event-driven tactics of customer retention marketing, but treats marketing as a process over time rather than single unconnected events."



"By molding the marketing message and tactics to the LifeCycle of the customer, the Relationship Marketing approach achieves very high customer satisfaction and is highly profitable."

Source: Jim Novo

Step 1 - Get Customers Talking

1. Leverage existing promotions and interactions to establish a dialog with consumers

Tactics:

- Mail-in and Online Rebates
- Interactive Promotions
 - Online Games
 - Online Sweepstakes
 - Interactive Contests and Instant Win
- Newsletters and Surveys

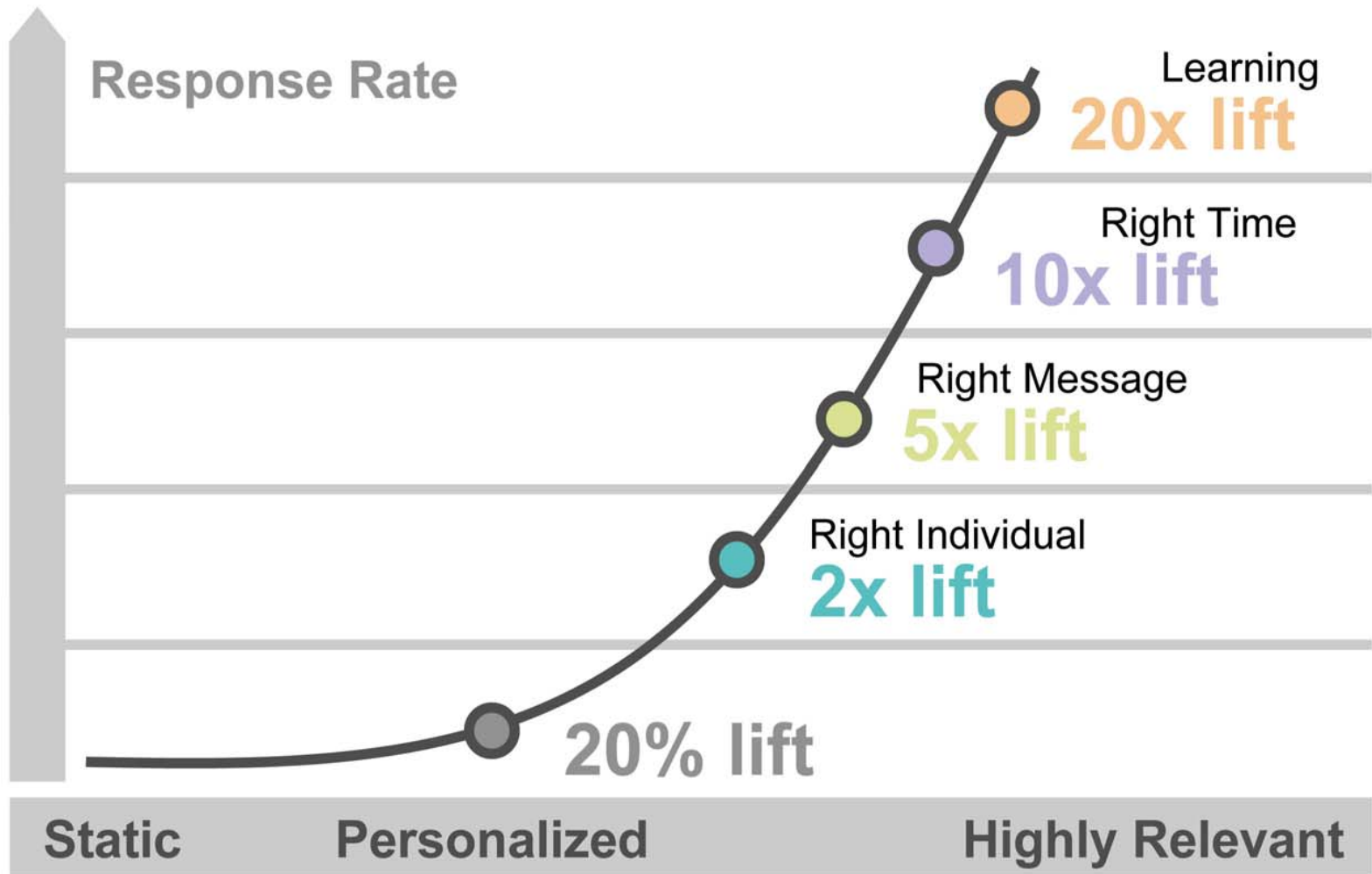
Step 2 – Communication and Offers

2. Motivate customer behavior

Tactics:

- Customer Segmentation
- Targeted Marketing
 - E-Mail marketing
 - Triggered marketing
- Cross-Sell
 - Leverage attitudinal AND behavioral data
 - Offers for products that are:
 - Valued by the consumer
 - Timely
 - Relevant

Communication and Offer Maximization



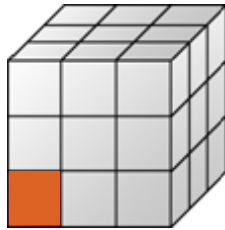
Step 3 - Maximize Customer Loyalty

3. Leverage insights gained to drive loyalty

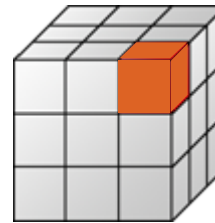
Tactics:

- Rank customers by level of loyalty
- Refine personalized marketing efforts
- Make the right product offer to the right loyal customer without them having to ask, e.g.:
 - Completing a solution set (Consumer Electronics)
 - Did you know (Sporting Goods, Packaged Goods)
 - Advocacy and Referral (All Retail)

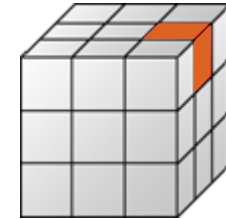
Example: Mary - Consumer Electronics Shopper



Submits on-line rebate form, and enters on-line sweepstake for a Samsung HDTV including opt-in



CE Superstore learns Mary likes Jazz music and may be interested in a new Receiver



Mary buys a new receiver and gets her jazz CDs

Purchases a Samsung Digital Camera at CE Superstore

Mary takes survey and receives \$10 off next purchase

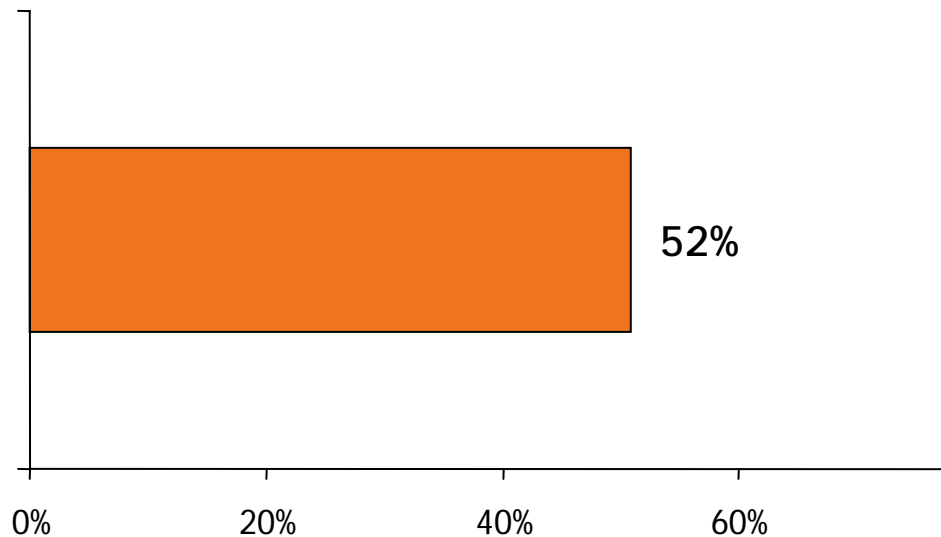
Mary is sent a personalized offer to receive 5 jazz CDs with purchase of a new receiver

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Parago Retail Consumer Research

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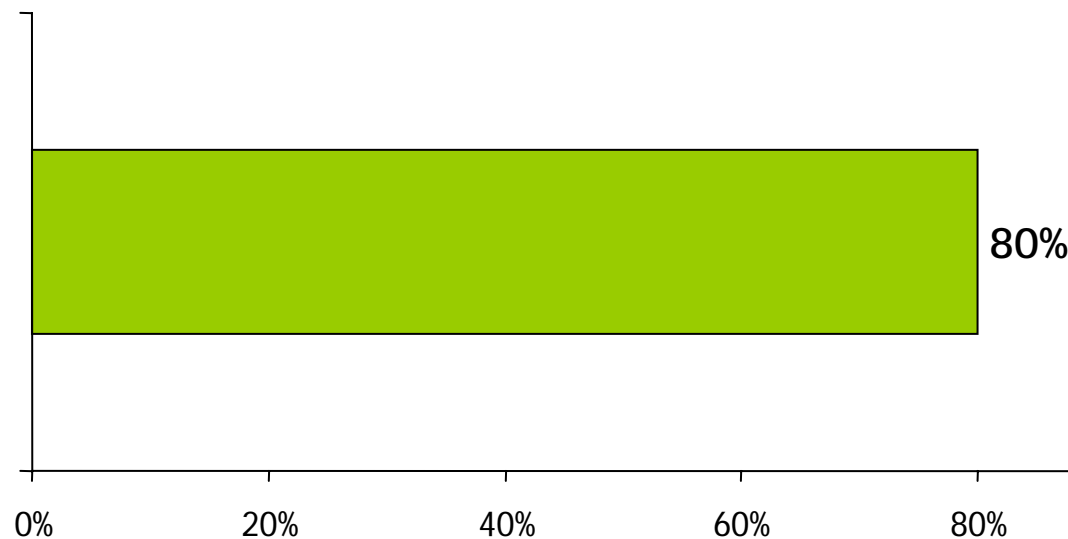
Willingness to personal information if provided an incentive or sweepstakes entry



Source: *The Parago 2006 Retail Consumer Research Report ©2006*

Parago Retail Research

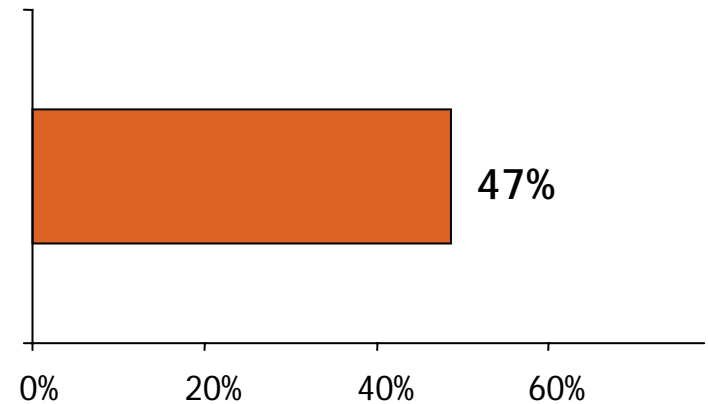
Shoppers who are more likely to shop at a store that offered special promotions and coupons "just for me."



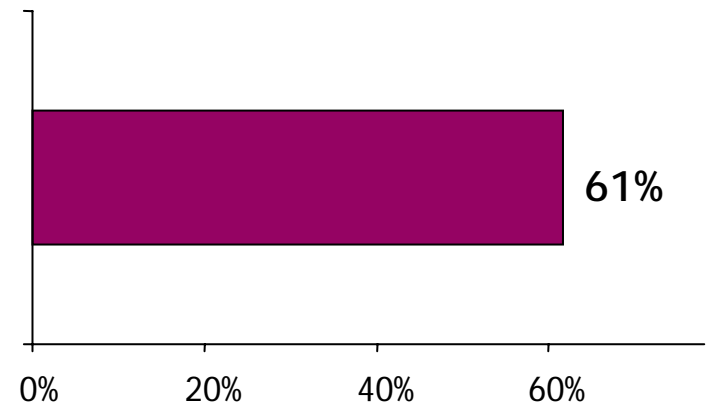
Source: The Parago 2006 Retail Consumer Research Report ©2006

Parago Retail Research

Willingness to provide personal information if it resulted in more personalized communications and offers



Willingness to provide email address to retailer if asked.



Source: The Parago 2006 Retail Consumer Research Report ©2006

Summary

1. Retailers must embrace customer centricity to keep up with competition
2. Relationship Marketing techniques will optimize marketing spend and maximize profitable shopper behavior
3. Research shows shoppers are willing provide personal information and engage in communication if it is valuable to them - so take advantage of the opportunity

For a copy of Parago's 2006 Retail Consumer Research Report

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