MK 322 Retail Management
Chapter 11: Customer Relationship Management

By Ajarn Suwalya K.

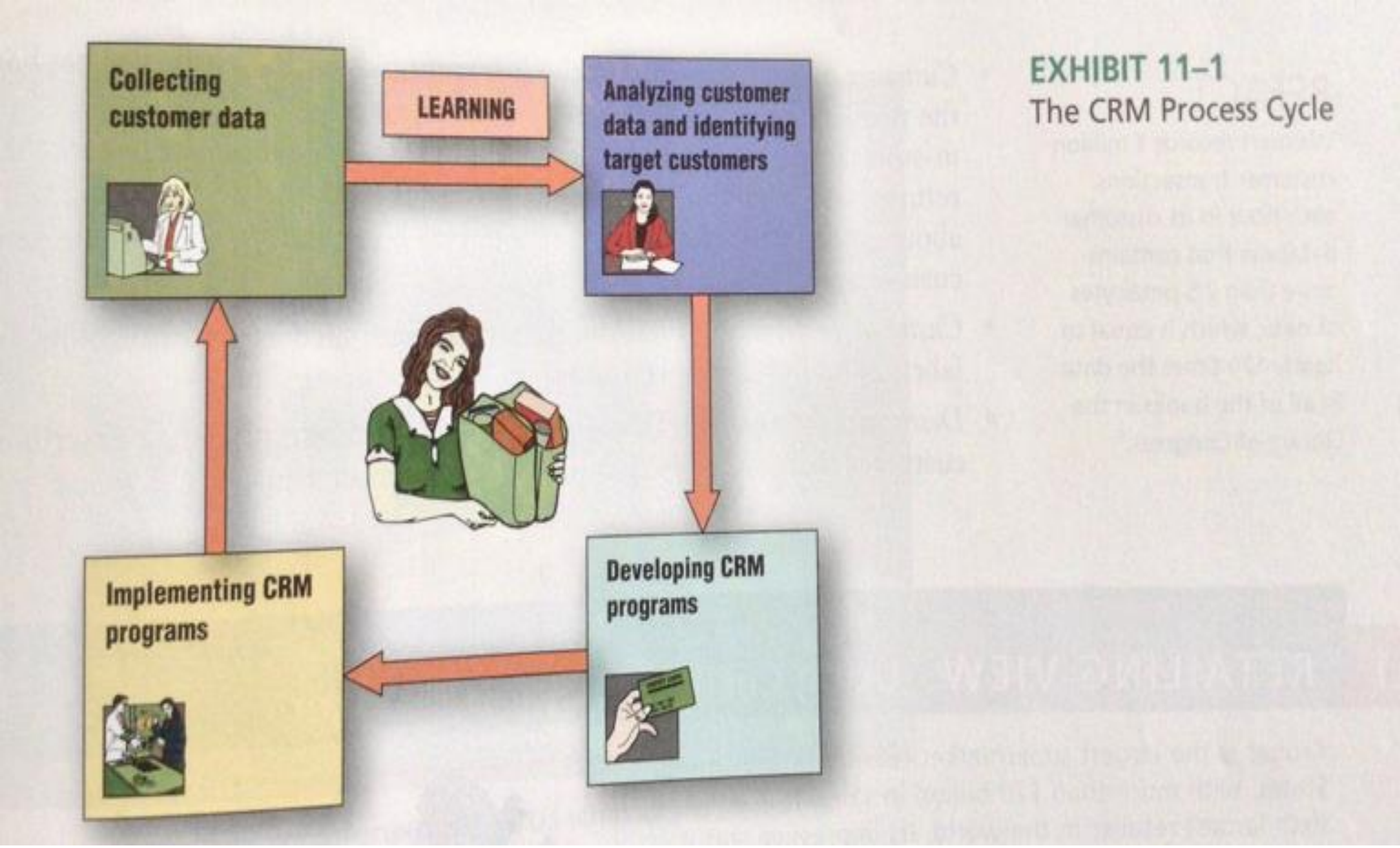
Online Session: April 20, 2021

The CRM Process

Customer Loyalty

- Customer Loyalty means that customers are committed to buying merchandise and services from a particular retailer
- Loyalty is more than liking one retailer over another
- Loyalty means that customers will be reluctant to switch and patronize a competitive retailer
- Loyal customers have a bond with the retailer based on an emotional connection that is more than just having a positive feeling about the retailer
- This emotional bond is a personal connection
- They feel the retailer is a friend
- The goodwill toward the retailer encourages them to make repeat purchases and recommend to their friends and family

The CRM Process



Collecting Shopping Data

Identifying Information

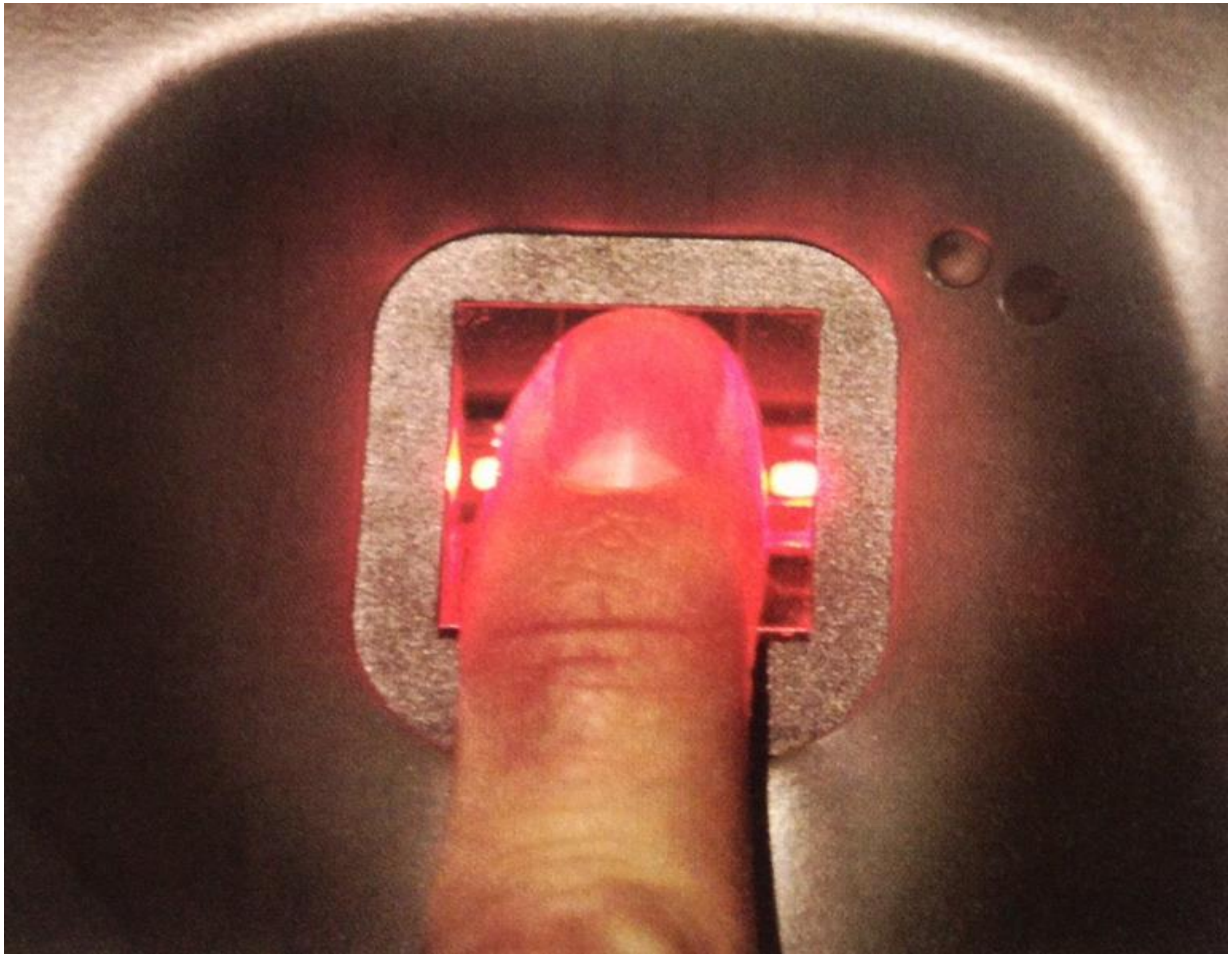
- Identifying Information

1. Ask for Identifying Information- address,email,mobile, telephone no.
2. Connect Internet and Store Purchasing Data- credit card for online purchase
3. Offer Frequent-Shopper Programs or loyalty programs
4. Use Biometrics- measuring human chatacteristics such as fingerprints, voice, person's hands
5. Place RFID chips on merchandise

Customer Database

Customer transactions are collected from POS terminal and stored in a customer database.

Customer Database



Biometrics are used to link transactions to individuals.

Stores are starting to track your every move | CNBC Reports

CNBC International · 99K views · 2 years ago

Analyzing Customer Data and Identifying Target Customers

Identifying the Best Customers

- One if the goals of CRM is to identify and cater to the retailer's most valuable customer
- Retailers often use information in their customer database to determine how valuable each customer is to the firm

Identifying the Best Customers

- The value of a customer, called customer lifetime value (CLV) is the expected contribution from the customer to the retailer's profits over the entire relationship with the retailer
- Retailers use past behaviors to forecast their CLV

CLV- 12 Months Purchase Histories

	December	January	February	March	April	May	June	July	August	September	October	November	Total
Shirley	$400	0	0	0	0	0	0	0	0	0	0	0	$400
Marcia	$10	$10	$25	$25	$15	$25	$40	$20	$35	$35	$50	$65	$355

Retail Analytics

- Retail Analytics are applications of statistical techniques and models that seek to improve retail decisions through analysis of customer data
- Data mining is an information processing method that relies on search techniques to discover new insights into buying patterns of customers,using large database

Data Mining

3 most popular applications

- Market Basket Analysis
- Targeting Promotions
- Assortment Planning

Market Basket Analysis

- A data mining tool determines which products appear in the market basket that a customer purchases during a single shopping trip
- This analysis can suggest where stores should place merchandise and which merchandise to promote together based on merchandise that tends to show up in the same market basket

Market Basket Analysis

Some other examples of how market basket analyses have revised product locations are as follows:

- Bananas are the most common item in Americans' grocery carts, so supermarkets often place bananas both in the cereal aisle and in the produce section.
- Tissues are in the paper goods aisle but also mixed in with cold medicine.
- Measuring spoons appear in the housewares section and also hang next to baking supplies, such as flour and shortening.
- Flashlights are placed in the hardware aisle and with a seasonal display of Halloween costumes.
- Snack cakes appear in the bread aisle, but they also are available next to the coffee.
- Bug spray is merchandised with hunting gear and with household cleaning supplies.

Targeting Promotions

- Market Basket Analysis help provide insights into assortment decisions and promotions
- Retailers might discover that customers typically buy a specific brand of conditioner and shampoo at the same time
- With this information, the retailer might offer a special promotion on conditioners, anticipating that customers will also buy(the higher margin) shampoo at its full price

Assortment Planning

- Managers have to make decisions about what merchandise to carry in each category
- Customer data also can be mined to help with these assortment decisions
- By analyzing which products the retailer's most valued customers purchase, the manager can ensure that they are available in the store at all times
- For example, an analysis might discover that customers in its highest CLV segment are ver loyal to a brand of gourmet mustard

Developing CRM through Frequent-Shopper Programs

Effectiveness of Frequent-Shopper Programs

- Useful for building customer database, but not long-term loyalty
- Perceived value is low, perceive liitle difference among competing retailers
- Discounts appealing to price-conscious shoppers, but maybe not to CLV shoppers
- Loyalty programs are difficult to revise or correct once they become part of customer shopping experience

Effectiveness of Frequent-Shopper Programs

Frequent-shopper programs have limited effectiveness because consumers join all of the programs offered by competing retailers.

Making Frequent-Shopper Programs More Effective

Frequent shopper programs seek to encourage repeated purchase and develop customer loyalty

- Offer Tiered Rewards – silver,gold,platinum
- Treat High CLVs as VIPs – treat customers special
- Incorporate Charitable Contributions

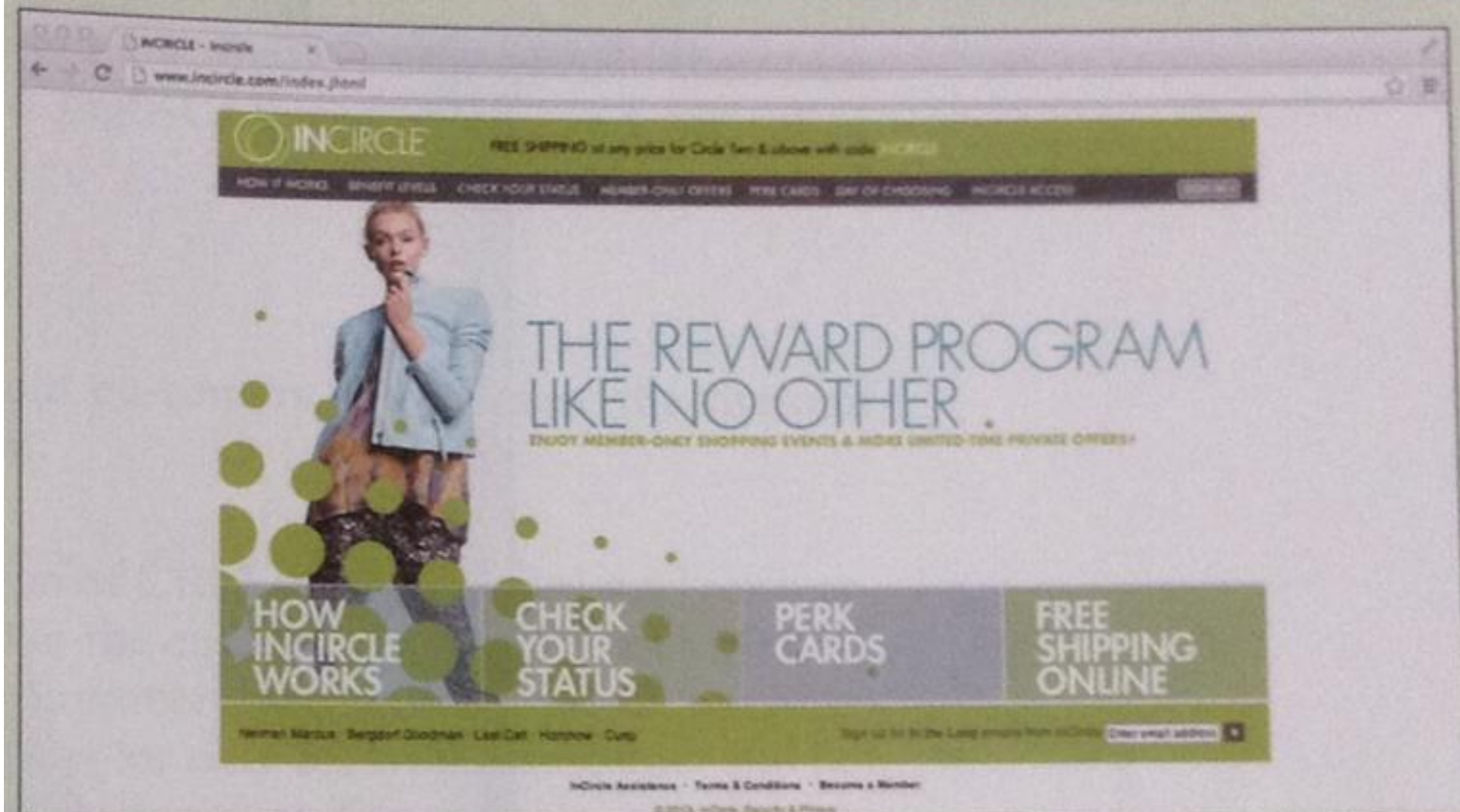
Making Frequent-Shopper Programs More Effective

Target enhances the effectiveness of its frequent-shopper program by linking it to donations to local schools.

Making Frequent-Shopper Programs More Effective

- Offer choices – earned points to attend special events, vouchers,etc
- Reward All transactions- Sephora, once they spend 100 USD, get free sample size product
- Make transparent and simple – easy for customers to keep track of spending and available rewards

Making Frequent-Shopper Programs More Effective



Neiman Marcus' InCircle frequent-shopper program is a benchmark for other programs.

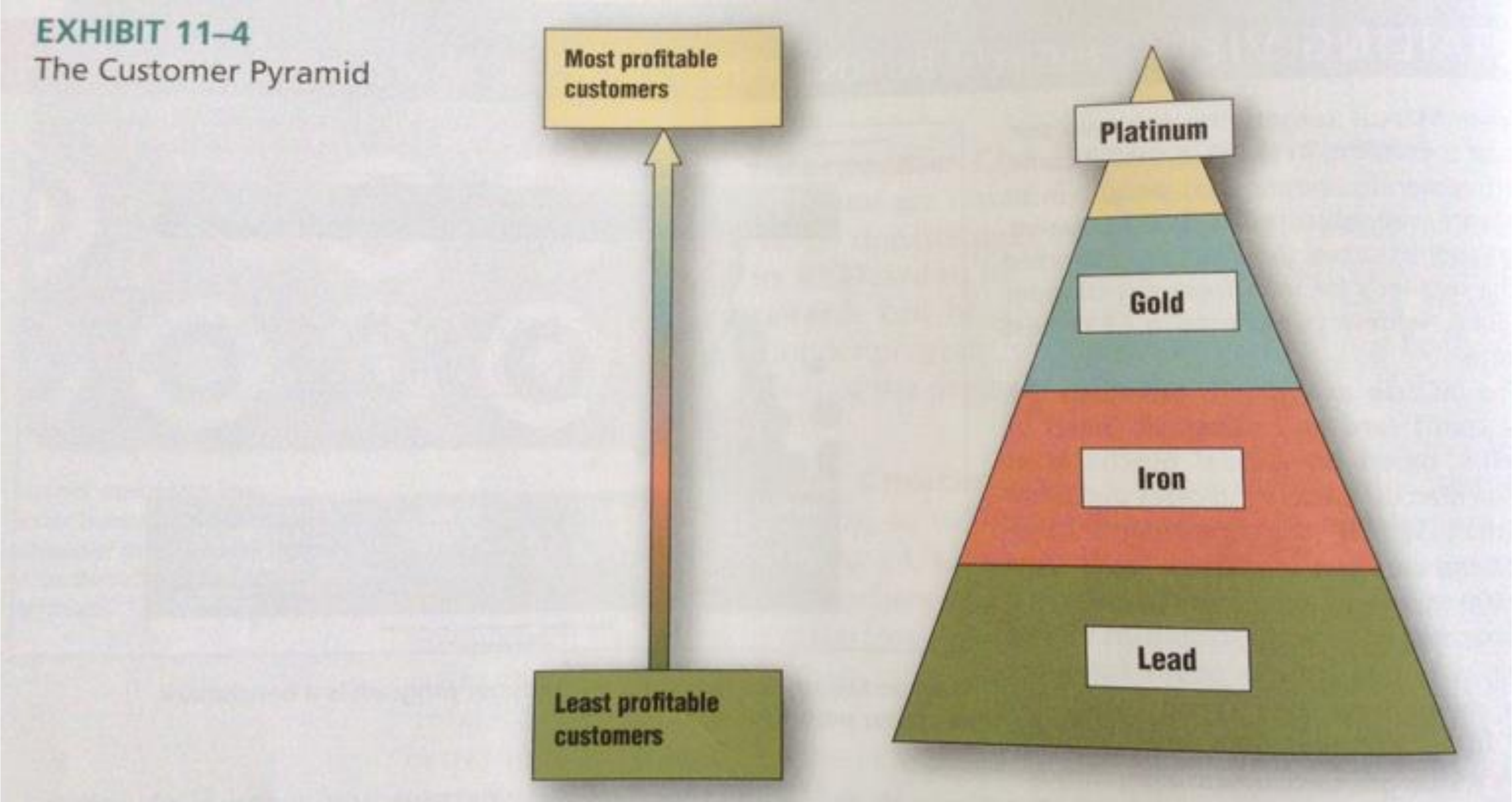
Implementing CRM Programs

Customer Pyramid

- 80-20 rule…80 percent of profits come from 20 percent of customers

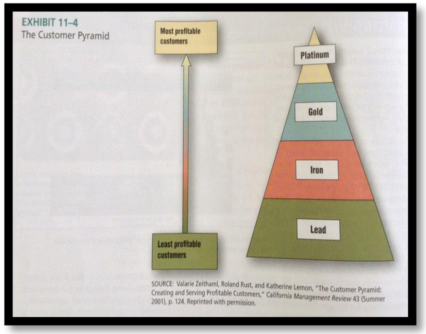
- Group into 2 groups – 20 percent of the customers with the highest CLV scores and the other group, the rest

Customer Pyramid



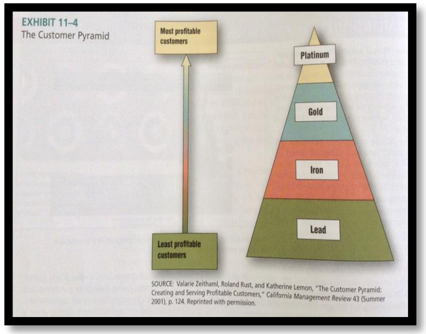
SOURCE: Valarie Zeithaml, Roland Rust, and Katherine Lemon, "The Customer Pyramid: Creating and Serving Profitable Customers," *California Management Review* 43 (Summer 2001), p. 124. Reprinted with permission.

Platinum Segment



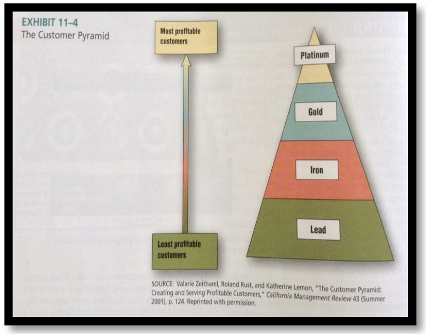
- Composed of top 25 percent CLV
- Most profitable and loyal
- Are not overly concerned about pricing
- Buy a lot of merchandise sold by retailer
- Often place value on customer service more than price

Gold Segment



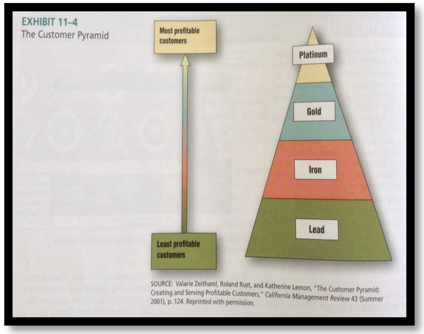
- Buy a significant amount of merchandise, but not loyal as platinum customers
- Patronize some of retailers customers
- Profitability less than platinum-tier since price plays a greater role in decision making
- Objectives of CRM program is to move gold-tier customers to the platinum level

Iron Segment



- Purchase a moderate amount of merchandise
- But their spending levels, loyalty, and profitability are not substantial enough for special treatment
- Possible to move into higher tiers, but for reasons such as limited income, price sensitivity, or shared loyalties with other retailers, additional expenditures on them may not be worth it

Lead Segment



- Customers with lowest CLV
- Can make negative contribution to the firm
- Often demand a lot of attention,but do not buy much
- Buy merchandise on sale or abuse return privileges
- Cause additional problems by complaining about retailers to others
- As a result retailers do not direct any attention to these customers

1 วันคุ้มๆ ที่เซ็นทรัล ชิดลม กับบัตรเครดิต เซ็นทรัล เดอะวัน

checkraka · 8K views · 1 year ago

Customer Retention

- Personalization
- Developing retail programs for small groups or individual customers is referred to 1-to-1 retailing

Customer Retention

Personalized Website Example

Dynamic

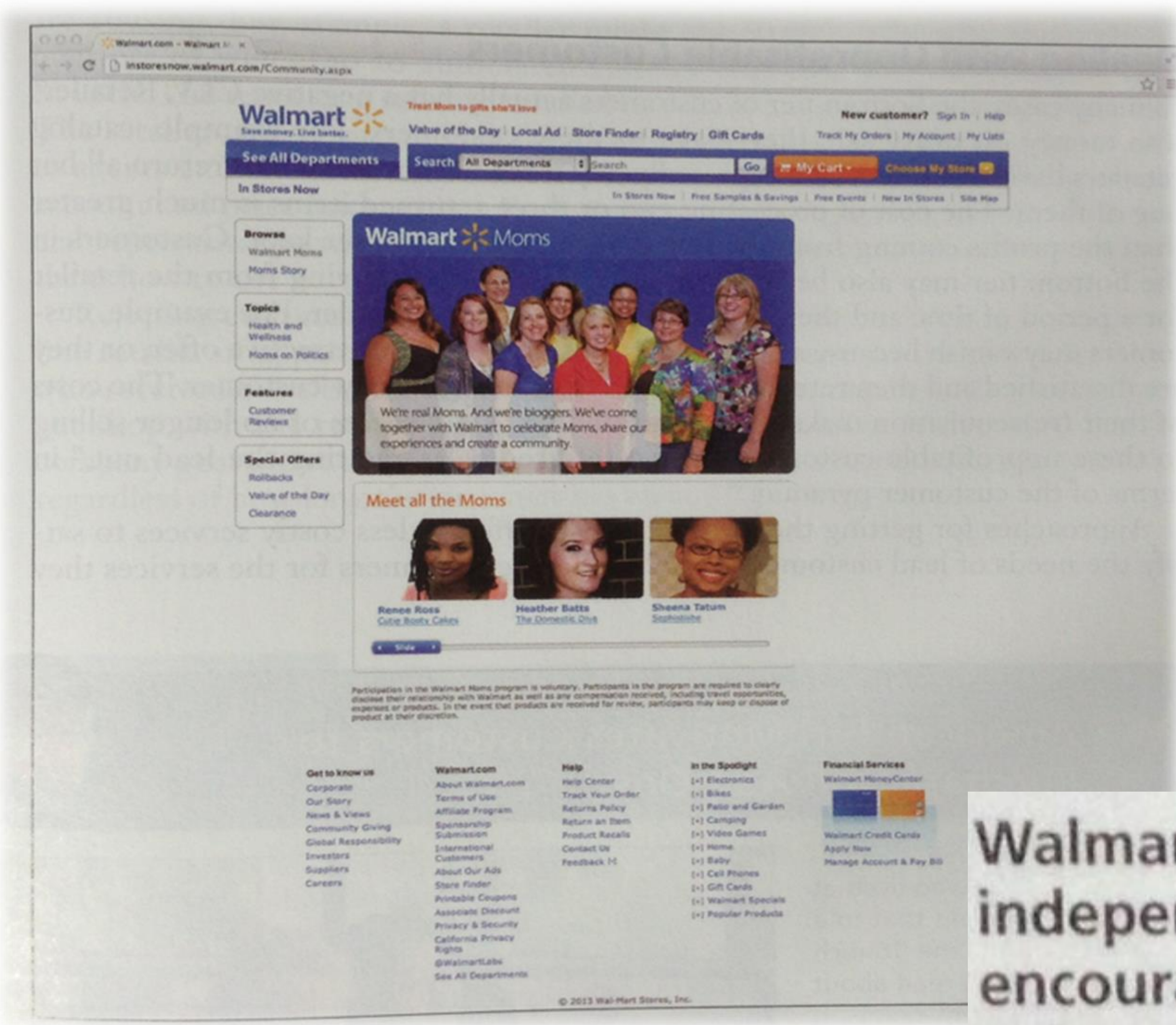
Static

Amazon personalizes its Internet interactions with customers by analyzing its customer database to present offerings that will be of interest to each of its customers.

Community

- A retail brand community is a group of customers who are bound together by their loyalty to a retailer and the activities the retailer sponsors and undertakers.
- Community members identify themselves with other members and share a common interest and participation in activities related to the retailer

Community



Walmart supports blogs by independent bloggers to encourage a community of value-oriented moms.

Customer Conversion:Making Good Customers into Best Customers

- In context of customer pyramid, increasing the sales made to good customers can be referred to as customer alchemy- converting iron and gold customers into platinum customers
- Add-on selling – offering and selling more products and services to existing customers to increase retailer's share of wallet with these customers
- Good example is Amazon.com uses personalized customer information

Customer Conversion:Making Good Customers into Best Customers

American Girl increases its share of wallet with customers by offering special services like hairdressing and dining with dolls.

Dealing with Unprofitable Customers

- Bottom Tier has negative CLV
- Retailers loose money to every sale they make
- Refunds may be costly
- Customers vanish to other competitors

Dealing with Unprofitable Customers

- The process of no longer selling to these profitable customers could be referred to as "getting the lead out" in terms of customer pyramid

- Approaches for getting the lead out are

1. Offering less costly services to satisfy the needs of lead customers
2. Charging customers for services they are abusing


That's All Folks