

White Paper

RETAIL CRM

Empowering and expanding customer relationships with meaningful engagement and optimized offerings



Executive Summary

CRM (Customer Relationship Management) is a strategic process, executed through technology to retain, acquire, engage, grow and maintain customer base and loyalty. In a customer-centric retail environment, CRM has deep embedded importance and impact. This strategy hinges on bringing in unison, scattered bits of information from across the enterprise, so its products and services can be marketed more effectively.

The key objectives of CRM are:

- Increase customer loyalty
- Increase customer retention
- Increase brand equity
- Expand customer base for profitable growth
- Realize recurring revenues through retained customers

To provide an example of how CRM helps retailers engage with customers better, through a cross-functional system:

A customer visits a departmental store. She is looking for a particular mix of shape, size and quality of products in accordance to her tastes or of those in her family. Through an integrated CRM within the in-store POS system, the staff can register her information and instantly send her a profile/preference based online communication, which she can fill at leisure and send back. So now one has her name, contact details, product and payment mode preference from the store interaction, which can be validated again by the filled-out feedback later received from her.

Upon analyzing the data, one can further deduce her shopping patterns, behavior, current wallet size, preferred time of shopping or of receiving promotions, familial details, etc. This will help to continue stimulating her interest in the brand, compel her to come again to the store or visit the company website/application and buy more with greater recurrence. Her patronage can be rewarded with relevant promotions that boost sales as well as deliver an enhanced shopping experience and value.

The retailer can also track her shopping cycle to correctly predict the future demand; equipped with the correct road-map to service her better and consequently ensure customer loyalty e.g. if she is married with kids, her shopping basket ratio would tilt in favor of certain product categories like toys, baby/kids products, etc.; over time they might be switched to school stationery, casual to formal apparels for the kids, for herself and her husband, larger portions of packaged food and perhaps more time-saving technological items.



“There is only one boss. The Customer! He can fire everybody in the company, from the chairman on down, simply by spending his money somewhere else.” – Sam Walton, Founder of Wal-Mart.

CRM Impact and Benefits

According to global reports, retailers can raise profitability by 75% through retaining just 5% of the current customer-base. It is also 6-7 times more expensive to acquire a new customer than to retain an existent customer. Satisfied customers create the favorable brand reputation and referral value which increases the number of new customer acquisitions and overall market share. This can be achieved through:

- Increasing customer satisfaction to gain their loyalty
- Rewarding loyalty through sustainable programs

To provide an example of how CRM helps retailers engage with customers better, through a cross-functional system:

In the competitive retail arena, customers are not impressed with one or two successful transactions. The relationship with the customer has to be proactively driven through multiple channels with a holistic approach. The customer experience has to be seamless across these channels to invoke confidence and familiarity with the brand. It is equally important to maintain positive engagement and deliver enhanced service value e.g. ensuring knowledgeable store-staff/online support, quick-billing POS, efficient feedback systems, preferred merchandise varieties, adequate brand/product literature, convenient online/offline accessibility, etc. CRM helps apply the science of data analytics to the art of providing superior customer service.





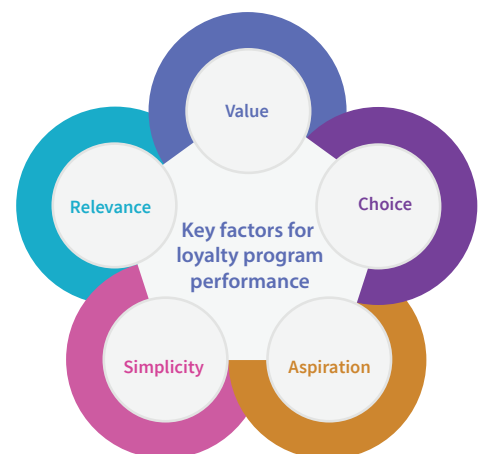
Loyalty programs need to be designed and developed with a competitive but distinguishing advantage, which offers relevant incentives to return to the store/website/app/third-party source and shop more.

Key factors to bolster efficacy of the loyalty/membership programs:.

- Segmentation as per target customer tiers
- Simple to understand with easy enrollment
- Motivates additional spending
- Enables consolidating points and redeeming across partner brands
- Offers relevant combination of benefits

Key benefits:.

- Shift : Acquire new customers
- Lift : Increase the spending of existing customers
- Retention : Improve the natural churn rate of customers
- Profit mix : Shift spending to higher margin products



Understanding RFM Analysis

The RFM (Recency, Frequency, Monetary) value analysis is a popular method to identify high-response customers while developing marketing promotions, improving overall response rates and also determining the necessary throughput as per different customer scores.

1. **Recency:** How recently a customer has made a purchase (more likely to buy again vs. customers who have not purchased in a while).
2. **Frequency:** How often a customer makes a purchase (more likely to buy again vs. customers whose purchase patterns are sparing and sporadic).
3. **Monetary Value:** How much money does a customer spend on purchases (most likely to buy again with latent value exercised to become even more valuable customers).

Depending on the industry, usually 80% of business comes from 20% of the customers. RFM analysis helps the retailer accurately target the different segments of his customer base, considering their RFM score and present/projected wallet-size. This helps him reduce erroneous formatting of promotions and campaigns which might be insufficient in delivering the desired ROI.

Customers are ranked based on their R, F, and M characteristics, and assigned a “score” representing this rank. Assuming various customer behaviors and patterns being ranked e.g. purchase time, size, etc. using RFM determines the economic value of each customer - the higher the RFM score, the more profitable the customer is to the business now and in the future. High RFM score customers are most likely to continue to purchase and visit more often, and they are most likely to respond to marketing promotions. The opposite is usually true for low RFM score customers; they are the least likely to purchase or visit again and the least likely to respond to promotions.

The ranking value is set as 1,2,3,4 and 5 (with 5 being the highest). A simple ranking attribution lets the retailer know the best, worst and neutral-ground customers, according to the historic business data. The retailer can consequently plan and proceed with different marketing campaigns and promotions, targeting the various customer buckets i.e. the star customers, seasonal buyers, lapsers, etc.

Few of the examples of the ranking score cards are shown below:

<p>RFM = 555</p> <p>Best Customers</p> <p>Customers that bought recently, buy often and spend a lot.</p> <table border="1"> <tr> <td> <p>Goal:</p> <p>Market without price incentives to preserve your profit margins</p> </td> <td> <p>Strategy:</p> <p>Inform them about new products, how to connect on social networks, and any loyalty programs or social media incentives you run.</p> </td> </tr> </table>	<p>Goal:</p> <p>Market without price incentives to preserve your profit margins</p>	<p>Strategy:</p> <p>Inform them about new products, how to connect on social networks, and any loyalty programs or social media incentives you run.</p>	<p>RFM = 515</p> <p>New Spenders</p> <p>New customers that spent a lot of money on their first order.</p> <table border="1"> <tr> <td> <p>Goal:</p> <p>To convert into a loyal customer that loves your product & brand</p> </td> <td> <p>Strategy:</p> <p>Welcome mailers, Thank Your mailer on their first purchase with an incentive to buy again, feedback on their purchase experience.</p> </td> </tr> </table>	<p>Goal:</p> <p>To convert into a loyal customer that loves your product & brand</p>	<p>Strategy:</p> <p>Welcome mailers, Thank Your mailer on their first purchase with an incentive to buy again, feedback on their purchase experience.</p>	<p>RFM = 551</p> <p>Very Active customers</p> <p>Customers who buy often, but don't spend very much.</p> <table border="1"> <tr> <td> <p>Goal:</p> <p>To increase the share of wallet</p> </td> <td> <p>Strategy:</p> <p>Discount offers such as buy 3 get 1 free, spend USD 200 and get USD 20 off</p> </td> </tr> </table>	<p>Goal:</p> <p>To increase the share of wallet</p>	<p>Strategy:</p> <p>Discount offers such as buy 3 get 1 free, spend USD 200 and get USD 20 off</p>
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<p>RFM = 155 Inactive/Lost Customers</p> <p>Bought frequently from you, and at one point they spent a lot with you, but they've stopped</p> <table border="1"> <tr> <td>Goal: To win them back</td> <td>Strategy: Credit loyalty points in their account as a motivation to come back, sent wishes on special occasions, CSAT surveys</td> </tr> </table>	Goal: To win them back	Strategy: Credit loyalty points in their account as a motivation to come back, sent wishes on special occasions, CSAT surveys	<p>RFM = 155 Heavy Spenders</p> <p>Customers who have spent a lot in few orders.</p> <table border="1"> <tr> <td>Goal: Target high priced products with good margins</td> <td>Strategy: Seasonal events or latest product range</td> </tr> </table>	Goal: Target high priced products with good margins	Strategy: Seasonal events or latest product range	<p>RFM = 111 Not Attractive</p> <p>Spent very little, bought very few times, and last ordered quite a while ago</p> <table border="1"> <tr> <td>Goal: Do not focus much</td> <td>Strategy: Ask for feedback, credit loyalty points in their account as a motivation to come back.</td> </tr> </table>	Goal: Do not focus much	Strategy: Ask for feedback, credit loyalty points in their account as a motivation to come back.
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Know Your Customer – Registration and Profiling.

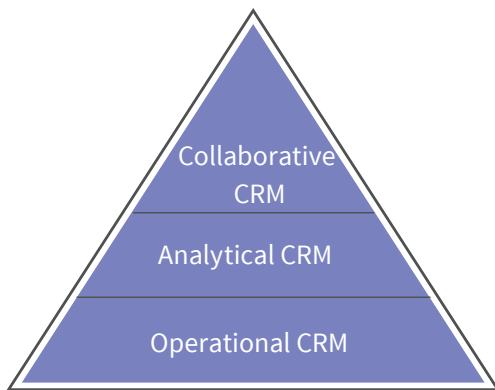
The different methods that can be adopted to register a customer:

- By the store-staff through the integrated CRM in the POS system, in-store mobility devices like tabs or smartphones, physical forms
- By the cashier at the time of billing (basic details).
- On the website or web/mobile applications.
- A web-link can be shared with the customer for completing his/her profile. This can be sent through email, SMS, third-party engines etc.

A very successful and popular approach is to incentivize the registration process with instant discounts, vouchers, freebies and extra loyalty points.

The basic details captured during registration are:.

Details	Why is it required?
First Name, Last Name	Effective Personalization
Mobile Number	To uniquely identify your customers and send out sms promotions and communication
Email Address	To uniquely identify your customers and send out email promotions and communications
Date of Birth or Year of Birth	To understand the purchases patterns of different age groups, positioning out product range as per age
Gender	To understand the buying preferences of genders
Address: City, Zip codes	To understand customer patterns as per location, for delivery details
Preferences	This would help in recommending, up-selling and cross selling
Social Media Profiles	



There are three stages to the implementation of CRM:

Operational CRM involves automation in the basic business processes (marketing, sales, customer service etc.). In Analytical CRM, data gathered within operational CRM and/or other sources are analyzed to segment customers or to identify potential ones. Customer analysis typically can lead to targeted campaigns, to increase customer spending and gratification. Collaborative CRM uses the above steps to facilitate interactions with customers through all channels.



Analyzing business with the 360° view of the customer:

According to a report by McKinsey, 70% of buying experiences are based on how the customer feels they are being treated. In a hyper-speed, noisy and cluttered buyer's market, it is becoming increasingly important to positively nurture, control and build customer interactions across multiple channels.

As retailing has evolved to be a complex enterprise, a singular approach to manage the same is equivalent to painting yourself in a corner. CRM Solutions by ETP help retailers get the right business understanding and expertise with sustainable, scalable technology to maintain pace with rising customer expectations and competition. ETP implements and integrates CRM solutions with a comprehensive 360° view of all business components like Omni-channel and E-commerce, Intuitive POS, Mobility, Daily Reports & Analytics, Social Media, Customer Support, Loyalty Programs, Promotions and Marketing Campaigns, which hold the potential to creating the desired demand.

The Customer Touch-Points for Today's Retailer:



Short/Mid/Long Term CRM plan of a retail business

Setting up a CRM program:

CRM is a philosophy that must be owned and adopted by all process owners. A successful CRM strategy cannot be implemented by simply installing and integrating a software package. Changes must occur at all levels including policies and processes, customer service, employee training, marketing and business development, systems and information management; all aspects of the business must be reshaped to be customer-driven. One must be able to measure something before they can manage it. Retailers can deem a retail operation successful only basis profitability (short-term or long-term).

Through CRM, the retailer can redefine the rationale behind his retail activities and ascertain how they should affect the end consumer. This entails defining the purpose of the activity and attributing the right resources to the right opportunities by studying the past, present and future business positioning. The relevant KPIs are assigned to all processes and people involved in the program. Armed with their performance knowledge, the retailer can better understand the viability of his CRM definitions with respect to the market dynamism.

Benefits of registering your customers:

- The store staff can instantly understand the buying patterns of the customers, which in-turn will help to increase the basket size.
- The marketing teams have insights regarding the customers’ product or category preferences, demographic background, average wallet size etc. This helps them create meaningful marketing campaigns that target the right customers with the right incentives.
- The merchandising teams can use this data to better understand product potential and trends, helping them optimally plan and buy for upcoming seasons and purchase cycles.
- The company’s brand or product/service offerings can be supplemented with a unique communication that reinforces the perceived brand value extracted from the customer data.
- In a Franchisee model of retailing, the store demographics and conversion ratio are the key KPI’s to service your Franchisee and ensure right replenishment at right time and right price are carried out.

The different methods adopted to segment your customers:

Demographics & Geographical “Visible Characteristics”	Psychographics & Behavioral “Not-so-Visible Characteristics”
Location	Social Class and Lifestyle: Upper middle, Urban, Dependent, Pre-Family, Family.
Age: Teen, Youth, Middle-aged, Aged	Opinions, Attitudes, Interests: Trendy, Vibrant, Style Statement
Gender: Male/ Female	Usage: RFM, Size and Frequency
Education	Benefit: Comfort Fit, Styles, Quality, Stitch, Price
Occupation	Occasion: Discount Sales, Festivals
Income	Degree of Loyalty

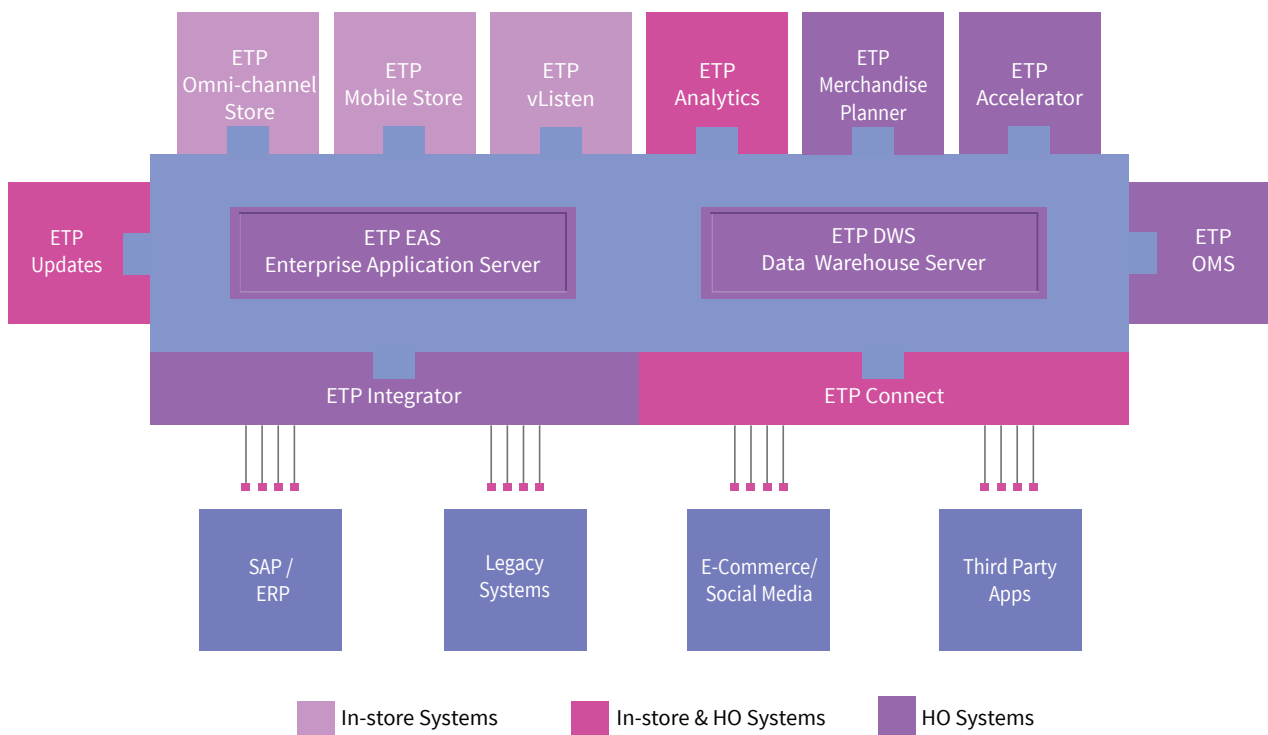
Benefits of customer segmentation:

- Identify the most and least profitable customers.
- Format different marketing strategies for different customers basis their preferences and other viability variables.
- Build customer loyalty, through an engaging relationship, by developing and offering personalized services, product-combinations and deals.
- Better customer understanding leads to better service.
- Reinforce competitive edge.
- Effectively launch and sustain new products/services.
- Reduce opportunity loss by innovating, improving products and services for the whole segment.

ETP Retail Suite

Omni-channel retail CRM is an integrated part of the ETP V5 Retail Suite.

Using the omni-channel retail CRM software, channel-based promotions can be developed, tracked and modified while capturing valuable customer feedback. It provides seamless visibility with dedicated OMS engine to optimize customer order fulfilment. Customers are delighted with personalized offers and empowered with multiple retail channels, modes of payment and delivery options which further aid sales frequency. The ETP Omni-channel Retail CRM software integrated with the ETP Omni-channel POS solution ensures improved brand visibility, sustained engagement, easy access to products and cross/up-selling promotions to increase the revenue per customer steadily.



ETP Omni-channel Retail CRM offers the following features and benefits to retailers:

Omni-Channel Customer Registration: This allows for centralized management of all customer data. The customer can login to the CRM through either the e-commerce portal and register themselves or they can simply walk in to the stores where the store staff can register them in to the CRM. Information fed through either channel will be updated instantly in the CRM and easily reflected for viewing and editing in the other channels. This provides customers a unified experience while shopping, whichever channel they choose to shop from.

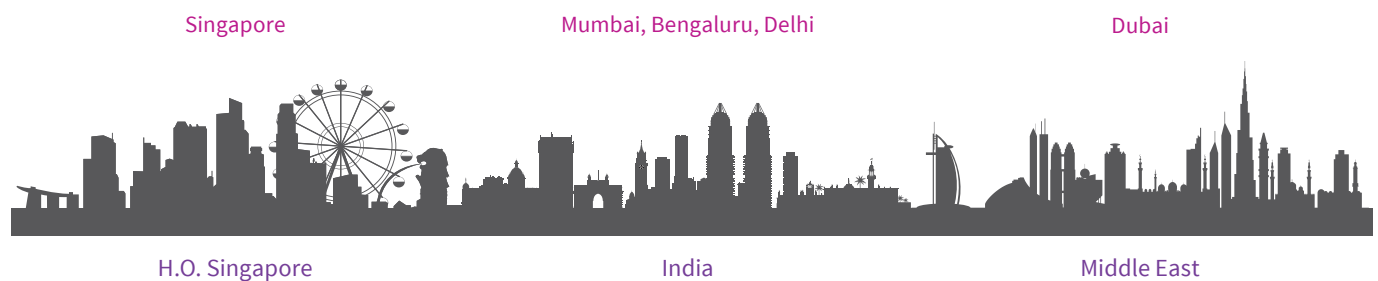
Omni-Channel Loyalty Management: This feature enables retailers to define loyalty schemes specific to a group of items/customers/stores or common across the chain of stores. A loyalty scheme definition can be common as long as the local currency of all relevant stores is the same.

In-POS earn and burn: In today's world of instant gratification, customers will not wait to earn and burn their loyalty points. The in-POS earn and burn feature enables customers to instantly register and accumulate loyalty points acquired through both their online as well as offline (in-store) purchases. They can then redeem these points in real-time (in the same purchase transaction) for shopping across all channels, thus enhancing their shopping experience.

Customer Specific Promotions: Over a period of time, the customer buying history accumulated in the omni-channel retail CRM can serve as input to the ETP Omni-Channel Promotion Planning tool in order to easily define business rules and roll out promotions specific to customer segments to provide a personalized experience.



Every year, 70,000 retail associates use ETP to serve 200,000,000 consumers, selling USD 18,000,000,000 of merchandise. More than 300 brands in over 22 countries, across 10 time-zones, in 200+ cities, at 35,000+ stores, run on ETP.



We are present in: Bandung, Bangkok, Bengaluru, Delhi, Dubai, Ho Chi Minh City, Hong Kong, Jakarta, Kuala Lumpur, Manila, Mumbai, Shanghai, Singapore

Founded in 1988, ETP is Asia's leading Omni-channel Retail Solutions company headquartered in Singapore, serving market leaders in more than 22 countries across Asia Pacific, India and the Middle East. ETP's enterprise class, omni-channel solutions include omni-channel POS, Mobility, CRM, Marketing and Promotion Campaigns, Supply Chain Management, Omni-channel Analytics and Omni-channel Connect. ETP has successfully executed over 500 enterprise software projects across 35,000+ stores for 300+ brands. ETP's unique value proposition is its ability to create and deliver innovative products and implement them successfully with domain expertise delivered by hundreds of consultants embodying ETP's best practices. ETP helps its customers get it right in omni-channel retail.

For more information, email: info@etpgroup.com