

Evolutionary Marketing

Tools and Toolsets for
Today's Retailer

Implementing a full-scale CRM application can be difficult to manage. MICROS-Retail Relate™ Retail CRM allows you to implement in three distinct, business-building stages: Loyalty, Gift Card, and Customer Management. You can master one phase, and see a return, before launching into another.

Executive Summary

How can you encourage customers to return often? How do you get them to spend more money per visit? By configuring your stores, and other channels, to fulfill the needs of your top-tier and profitable customers, you satisfy the people most eager to shop at your stores. By expanding this information into marketing planning you can also attract more customers similar to your best customers – the most likely audience to become frequent, high-volume buyers.

Today tools are available, specifically for retailers, to help them target and attract profitable customers. The applications can cut through the complexity of one-to-one marketing programs, making them both manageable and effective in the hands of the marketing staff.

Situation Analysis

You cannot “return to your roots,” pull out your old business plan, and use it to focus on who you *perceive* to be your target. Your corporate structure, product lines, and target customers have changed since your first stores opened. You need tools that will allow you to identify, target, and service today’s best customers. Then you need to continue the evaluating and targeting process, adjusting your marketing as the environment changes.

Three Interrelated Tools

The interrelated tools your marketing department can use to target and manage your customer base are:

1. Loyalty application – the source of “best customer” data and a means to communicate with those customers
2. Customer Marketing application – your means to capture, analyze, influence, and monitor customer behavior across all channels
3. Gift Card application – encourage multiple visits and above-average spending, capture specific purchasing information, and act as a reward vehicle for loyalty

Depending on your current situation and your overall IT strategy, you can install the applications all at once or separately over time. You may even have one or two in operation now and are already enjoying the benefits. The strategic combination of all three, however, enables the marketing department to effectively influence customer behavior.

Loyalty and gift card have different uses in the hands of the customer. The data they make available to you, the retailer, is also very different.

Loyalty programs appeal to customers who have already put you on the “A” list of stores in which they feel likely to shop. Typically they earn some

sort of reward – tangible or intangible – in return for some demographic information and your right to trace their purchase habits. A well-run program helps to increase recency, frequency, and monetary (RFM) statistics among loyalty users. It also builds your database of customer information, both as to the individual customer or trends among different market segments. The former can be used for one-to-one marketing programs, while the latter can provide valuable information for building the merchandise mix that will keep loyal customers and attract more like them. Gift cards appeal strongly to the wants of customers. About 40% of people purchase items at full price when they use a gift card compared to only 16% using other payment methods¹. A surprising 68% of customers are likely to spend more than the face value of the card². Based on these behaviors, using your own gift card as a reward mechanism for your loyalty program can generate revenue above and beyond the face value of the card. Therefore, the actual cost of using a gift card as a reward is offset somewhat by the added margin and overspend.

If the “gift card” value appears on the loyalty card and is used for redemption, you can spot trends in the purchases made with the rewards. For example, you may find that in the hands of a loyal customer the overspend regularly exceeds \$20.

The impact of loyalty data on CRM is obvious: Known individuals can be targeted and their purchases tracked; one-to-one programs can be developed and deployed effectively. Growable customers can be identified and tracked as they move through various strata and segments.

Develop Your Customer Base

The CRM application allows you to segment your customer base according to the demographics, psychographics, or purchase behaviors you track. The loyalty/CRM combination helps you get to know your customers better. You’ll develop your knowledge of their lifestyles, their RFM statistics, their typical purchases, and the merchandise they avoid. Not only will you develop a better relationship with these important customers, you’ll also be able to extrapolate the information and apply it to new markets where you are opening new stores. If, for instance, your “best” customers are aged 35-45, female, live within 6 miles of your store, and have a household income of \$50,000-\$80,000 then you know to target these customers strongly when buying media or conducting mailings, especially for new store openings.

Use Retail-specific Tools

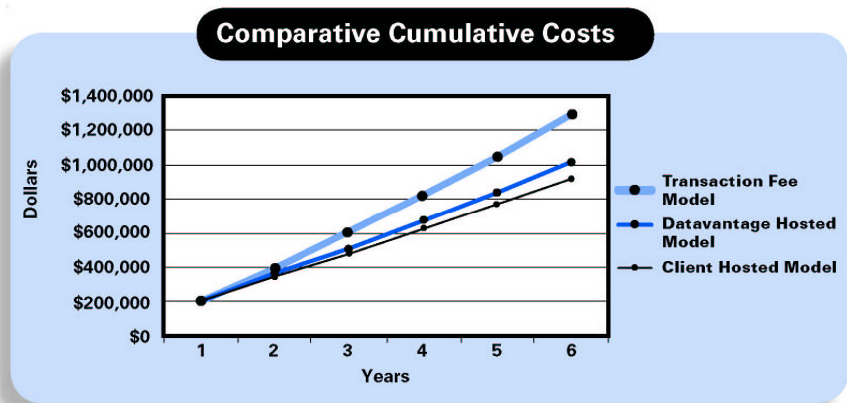
Today retailers don’t have to buy into the all-things-to-all-people CRM applications touted in the past. Retail-focused applications can take the data from the POS as well as gift and loyalty programs, and they can help with the things retail marketers need most: segmentation and campaign management. Campaigns can even incorporate the POS for real-time messages, offers, discounts, and much more. That’s really evolving the marketing mindset!

Having applications that talk to each other in real time is increasingly im-

portant. A purchase from a loyal customer that triggers an appropriate receipt message or system prompt during that customer's visit, not weeks later, makes a substantially stronger impact on behavior. If the system works in real time, you can even monitor a campaign's or program's success while it is still in process.

Control Your Destiny

Nearly 80% of retailers currently outsource their gift card programs to transaction processors. With in-house gift card management, you also have more control over your store image. You manage the customer support call center, you select your card manufacturer and packager, and you set the priorities. You also own the data from your transactions and can make it readily accessible to your planning programs.



Curbing Transaction Costs

When working through a transaction processor you often pay a per-transaction fee. These fees become significant over time, particularly if your program is successful. Instead of penalizing yourself for excellence, convert your application to one that you manage in-house.

A 200-store chain can expect to have about 2.5 gift card transactions per store per day, 365 days per year, or 182,500 gift card transactions per year.

$$\begin{aligned}
 &182,500 \text{ transactions} \\
 &\times \$0.15 \text{ transaction fee} \\
 &= \$27,375 \text{ in processing fees}
 \end{aligned}$$

If you have a per-transaction fee for your loyalty application, the costs can be much higher because, presumably, more than 2.5 loyalty transactions would occur during the course of the day. If you have a 200-store chain, and you process 25 loyalty transactions per store per day, 365 days per year, then your costs are:

$$\begin{aligned}
 &1,825,000 \text{ transactions} \\
 &\times \$0.09 \text{ transaction fee} \\
 &= \$164,250 \text{ in processing fees}
 \end{aligned}$$

Clearly the client hosted model offers the greatest cost savings over time, though the transaction model offers the lowest set-up cost.

Summary

MICROS-Retail Integrated Marketing Solutions

MICROS-Retail unites its gift card and loyalty applications so that the same infrastructure can be used to support these valuable programs. Furthermore, MICROS-Retail Relate™ Retail CRM integrates with these applications (or your legacy applications) to create a closed loop system for managing your customers and their data. You can license any or all applications for your management in-house or you can allow MICROS-Retail to host the application for you. You can even establish the programs as hosted, then transfer them in-house at a later date. No other software developer offers you these options.

Because MICROS-Retail's Relate™ Stored Value application shares the same operating system, database, and infrastructure with CRM and loyalty, retailers can operate their gift card systems in-house, bypassing transaction fees and maintaining access to their data at all times. Retailers who currently outsource their gift card application can utilize the CRM and loyalty applications immediately, then pull the gift card functions in-house when the current contract expires.

MICROS-Retail strives to make retailers more successful through software applications that reach from the POS through the corporate office and back again.

Resources

¹Horne, Daniel R., survey for Providence College, RI.

²2001. TNS Intersearch.



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