



Whitepaper on Customer Centricity in Retail



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RETAIL MANAGEMENT SOLUTIONS



Customer Relationship Management

While technology fads come and go, CRM is here to stay. CRM isn't merely a software package from a vendor or a "quick fix" service that a consulting firm "does" to an organization, it's a philosophy; a way to run business.

CRM can best be defined as "customer-centric business strategies that optimize the long-term value of selected customers." To simplify it even further, CRM is all about getting, growing, and keeping customers.

CRM is a set of strategies, processes, metrics, organizational culture and technology solutions that enhance an organization's ability to see the differences in its customers' and prospects' behavior and needs, track new opportunities to better serve their customers and act, instantly and profitably, on those differences and opportunities. Recently CRM has taken a center stage in the retailers' world with businesses concentrating on saving money and increasing profits by redefining internal processes and procedures. It costs a retailer dramatically less to retain and grow an existing client, than it does to court new ones. It is said that "It is seven times more expensive to acquire a new customer than to keep an existing one", therefore the value of customer information and management should never be underestimated.

The aim of CRM is optimize the use of technology and human resources for the business to gain insight into the behavior of customer. Retailers need to understand CRM in relevance to customers and customers only. Technology like **call center services** and software's will prove helpful only if they improve the customer services and relation, otherwise all fancy technology is useless if it fails to benefit the customer.

E-Commerce - Redefining Customer Centricity

The rapid growth of e-commerce over the past several years, and the tremendous amount of competition within a number of business-to-business and business-to-customer markets, have created an unprecedented business environment, one that requires rapid-fire business development, strategic and technological innovation, and response to customer needs.

Once e-commerce retail businesses discovered that they could capture customer demographic and behavioral information more readily than ever before, their hunger to put this information to use became seemingly insatiable. To meet the demands of e-commerce marketplace, hundreds of new enabling CRM technologies have become available in the past several years.

More importantly, all of this e-commerce action has awakened the sleeping CRM giant. For Internet-based businesses, it quickly became very clear that in cyberspace the customer rules. For many non-Internet-based companies, this heightened awareness of the importance of customer-centric processes created an urgency to implement CRM strategies. As a result, today many retailers have identified CRM as their primary business initiative.



How to get customer centric?

The two strategic pillars that will need to be addressed in order to form a solid foundation for CRM initiative are organizational issues and information issues.

When embarking on CRM initiative, the first and most important organizational question that needs to be answered is “Is the company's leadership committed to a customer-centric business philosophy, culture, and strategy?”

If the answer is no then in the long-run the efforts put will seem to be useless. CRM should be about holistically managing the entire customer life cycle. In order for systems and people to begin operating in a more customer-centric manner, many of the internally focused departmental processes will need to begin to share a common, more highly integrated process flow and information structure.

This process flow and information structure should transform the retail business into a unified whole that is committed to anticipating customer needs, navigating customers to value, educating customers about products of their interests, and simplifying the process of doing business with the store.

Information Issues

CRM's promise includes combining information from each customer touch point so that all customer-facing personnel have a complete understanding of the organization's relationship with each customer.

Today, this promise can be difficult to keep. The availability of customer data is exploding. However, this data is typically located among many different data systems located throughout a company's various divisions and departments. For example, in many companies, customer sales revenue data (along with product purchase details, order fulfillment status, product returns, and order cancellation information) is located in a financial system that is not integrated with other Operational CRM systems.

In addition, many companies have split their Web businesses and/or activities from the rest of their operations. If the Web is indeed just a tool for providing another customer touch point, then combining all of the customer data gathered on the Web with other customer touch point data will be critical to the success of CRM initiative.

Implementing Operational CRM technologies successfully requires special care. Unless they are holistically designed and deployed, these systems can be less customer-centric than it is actually intended to be. Because, though they can easily be set up to improve the effectiveness and efficiency of the people within a given department, they may continue to support departmental informational barriers or create data redundancy and inconsistency.



Why is it required?

Just as the spreadsheet was the "killer app" for the personal computer, Analytic CRM is the "killer app" for CRM. Creating, institutionalizing, and leveraging a customer-centric knowledge base, which contains actionable information and delivers this information to decision makers within a user-friendly and intuitive environment, should be the focal point for an organization's CRM plans.

For most companies, combining all of their customer data into a central repository will be just the beginning of the process. The disparate departmental systems in many cases store incomplete, inconsistent, and/or duplicate information. Gaining a complete and consistent view of the behavior, loyalty, and value of each customer will require some serious data cleansing.

For example, in many business-to-business companies, even the definition of who the customer is can be inconsistent within a company's various operating departments. Accounting may set up each unique billing location as a separate customer. Meanwhile, the sales department may consider each subsidiary, division, or department that can make independent buying decisions as separate customers. At the same time, the customer service organization may consider each authorized support contact to be a separate customer.

Building the Customer Pyramid

Analytic CRM begins with the customer segmentation process. Customers are quite simply any group of people or organizations whose purchasing behavior can be influenced by the company. For many companies, that may include multiple types of customers, including distributors, channel partners, and end-user customers. Each type of customer should be segregated into a separate customer group. This can be accomplished by building a customer pyramid.

Building customer pyramids will allow analyzing and continuously monitoring the answers to the following questions:

- Who are the largest and most profitable customers?
- How are the marketing and sales resources being spread between acquiring new customers and retaining or growing existing customers?
- Which of the customers are in danger of becoming, or have recently become, inactive?
- Who are the customers that have the greatest potential for growth?
- Specifically, how many accounts must be retained and/or moved up in the pyramid in order to Meet revenue and profit targets?

Within each group or pyramid, the following additional business rules should be defined: **Customers versus non-customers:** "Customers" are people or organizations that have made purchases from the company in the past, whereas "non-customers" have never made any purchases.



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Active versus inactive customers: This business rule usually involves defining some period of time in which the most recent purchase was made. For example, a company may decide that for a customer to be considered "active," a purchase must have been made within the past six months. If this rule is not met, then the customer will be classified as "inactive."

Large, medium, and small customers: These rules segregate active and inactive customers into subsets based on their value to the company. In many companies this segregation rule will be based on actual or potential revenue, combined with a percentage of the total customers to include within each segment. For example, once sorting the customers by revenue or profit has begun; the segmentation rules may define the largest 1 percent of the active customers to be included in the "Top" segment; the next 4 percent in the "Large" segment; the next 15 percent into the "Medium" segment; and the remaining 80 percent into the "Small" segment. Depending on the industry or company, value may be based on other factors.

In addition to this segregation process, the customer pyramids should contain appropriate general and industry-specific demographic data about each person or organization in the pyramid. This data will facilitate the data mining process and will allow companies to truly understand to whom their actions are being targeted to, as well as the behavior that their actions are causing in the various customer subsets.

CRM Campaign Activity

Statement Mailings

There is an opportunity to communicate directly with customers through credit card & loyalty card statement mailings at low incremental cost. Ideally there should be a level of sophistication in the interaction between the marketing database & customer segmentation & a range of different messages that can go to customers through these statements.

Seasonal & Promotional Mailings

Additional mailings geared to seasonality or product range introductions can be undertaken at full cost which makes it even more important to gear different messages to different segments of customers. In all cases, it is important to have a promotional device in the mailing redeemed in store that can provide a measurement of the interest created.

Loyalty Card Mailings

Reminder mailings about the level of 'points' currently on a loyalty /credit card together with bonus points on a promotion can be used to drive foot traffic.

The role of the telephone

Inbound

The mailings & general in-store merchandising should make more of a customer service help desk to answer product availability questions, questions about store openings & events, with the ability to put product on hold for a period.



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Mail Order Channel

This may develop in some retail situations into a full mail order catalogue & off-the-page ordering service. In these circumstances the more that is known about customer purchasing trends the better focused will be the catalogue or alternatively a range of niche catalogues.

Outbound

This is a relatively expensive medium & is more difficult to justify in terms of the likelihood of incremental business being clearly seen to cover the cost. The telephone needs to create an immediate customer reaction & therefore a measurable benefit. It is too expensive a medium just for the call to suggest the customer visits the store.

CRM benefits for a retailer

Data Collection

In a normal retail transaction, customer details remain unknown. This is usually overcome by a retailer having their own credit card or a loyalty card perhaps supplemented from time to time by data collected during in-store promotions, competitions etc.

In any case the data will only be a proportion of the total foot traffic of the store including regular customers who simply do not wish to get involved in any data collecting devices. Hence, any direct customer contact should be seen as incremental activity (cost & return) rather than replacing the normal marketing & in-store merchandising.

Customer Profiling

Any value to be gained by direct customer contact is linked to the relevance & timing of the message. It is important therefore not just to collect customer details but to gather profile data on what products & services they are interested in & in particular what products they have purchased in the past & when in the latter case there is a need to extract transactional data for customers using credit/loyalty cards & input this on to a marketing database (as an overnight routine) so that customer purchases can be categorized for analysis & future selection. Frequency & value of purchase also need to be analyzed to establish the most loyal & most valuable customers.

Customer satisfaction / Brand experience

Retailers could do a lot more to understand their customers level of satisfaction with the store through the various seasonal & product range variations by telephone researching a constantly changing customer panel carefully profiled & recruited to be representative. This should be reinforced with a more prominent use of customer suggestion boxes in store & in large stores a customer help desk.

Customer retention

Outbound should also be used to talk directly to customers who have been good spenders in the past but where a time period (say 6 months) has elapsed without credit/loyalty card use. This can be part of the customer satisfaction survey discussed below.



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About Argalystore

Argalystore is a leading SaaS (Software as a Service) provider in the Retail Management sector. The company offers a Holistic, Integrated and end-to-end solutions perfectly matching with the requirements of the small and medium businesses and benefiting clients in terms of cost, time, quality & support.

The company's Mission is aimed at being **Customer Centric** and providing **continuous upgrades** and **constant support** to increase clients' Business Bottom Lines. It **empowers small & medium retailer** with features and functions used by well -retailers in a delivery model that fits their business and budget.

One compelling advantage of choosing Argalystore is the **"All Features – One Cost"** concept which is being provided in SaaS model. With a low monthly subscription fixed for lifetime, the solutions presented are constantly updated for future demands with no additional charges.

"Retail for All" is the idea behind birth of **Argali**, a holistic retail solution encompassing all functionalities matching the requirements of small & medium retail businesses.

After years of in-depth experience with best-in-class independent retailers, the Argalystore is known for offering a **mature and fully integrated retail management system**. It is a system, which streamlines both day-to-day operations and also provides retailers with powerful tools to grow both **in-store and on-line sales**. This dual advantage gives retailers more time to focus on their customers. Most importantly, we have responsive and insightful implementation and account services teams dedicated to helping each customer become a more competitive and successfully retailer.

Small to medium-sized retailers are able to attract new customers, increasing sales per customer, delighting customers with great service and build and maintain their loyal customer base with our extremely powerful and successfully retail solution.

