trg

Customer management

and its **incremental** **demands** on **retailers**

retail**pro**

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Executive summary

The retail industry is arguably the most notable example of how important customer management leverage is. However, even the most forward-thinking retailers still face many challenges as they try to achieve their goals with customer management systems and strategies. This paper presents key benefits of customer management programmes, followed by a step-by-step guide to implement them, as well as challenges that retailers will face in each step. The paper also highlights technology's role in the execution of customer management programmes.

The role of customer management in the retail industry

According to The 2012 Retail Redefined: Balancing Internal and External Goals Through 2015 survey, when respondents were asked to rank external challenges that they might face in the next few years, changing consumer expectations topped the list at 38.9%, while 28.7% of respondents flagged heightened competition as their top external challenge.

With the advent of new consumer technologies, information asymmetries have been eliminated from consumers' shopping experience. Today's shoppers are less brand-loyal. They jump from retailer to retailer to find the best price, the best products, and the best services. However, existing loyalty programmes have provided retailers the view that the top 30% of their customers account for approximately 75% of their sales (Imlay, 2006). Moreover, another study in the same year from Aberdeen confirmed that eroding customer loyalty is one of the top three pressures for operational improvements. Thus, if retailers deploy an effective customer management programme, they can stand out in a highly-competitive environment with benefits such as:

1. Identifying the best customers

Best customers are neither recognised only by behavior nor by attitude. Intentions based on positive attitudes do not always translate to behavior. And, behavior in the absence of a strong attitudinal foundation is highly vulnerable to competitive threats. With data from the customer management programme, retailers are able to pinpoint more profitable customers, who have both attitudinal and behavioral loyalty, and offer their customers the right combination of financial and non-financial rewards. Over time, this will help the business increase customer satisfaction and build repeat sales.

2. Increasing customer retention and finding new customers through word-of-mouth marketing

From apparel, sporting goods, furniture, cosmetics, to consumer electronics retailers, when products are easily replicated and do not necessarily stand out, better storytelling is the secret weapon. These days, it is easy to realise that the nature of the social shopper is that they want to be the first person to tell their friends about a great deal or share something. Customer management gives retailers the ability to reach customers and suggest offers/products that match customer demands and profiles as soon as they enter the store by quickly assessing all their information, such as size, favorite colour, and favorite brand. Moreover, if a customer loyalty programme is implemented, customers will believe that the retailer knows and rewards them better than the retailer's competitors and that the retailer will deliver better service. Since customers are better served and able to get more benefits, they are willing to give positive recommendations.

3. Improving cross-sell and up-sell

One of the best—and easiest—ways to increase revenue and profitability is to sell more to existing customers. However, many customers only know about the products they have bought. Simply telling customers about all the products in the retailer's range can bring in more business. Customer management programmes enable retailers to get more information about their customers' preferences so they can bundle related products in a package deal and achieve extra sales.

4. Catching industry trends

The industry is changing. Retailers can see it in customers' behavior, in the proliferation of channels and devices, and in a retail landscape that is more crowded and competitive than ever before, which is especially true of the fashion industry. What retailers need is a way to capitalise on the changes while also rising to meet the challenges. If they fail to do so, they will absolutely lose even existing customers to competitors. With data from the customer management programme, retailers are able to examine and make more profitable decisions based on common movements within the industry.

On the other hand, getting good value for the money—and saving on expenses wherever possible—is important for any business, no matter what their size or turnover. Customer management is one of the most effective approaches for retailers to achieve that goal. Particularly, it helps retailers reduce:

- **HR costs**. By automating certain processes, the programme provides executives with an automatic tool to add and update customers' information continuously, so that a huge amount of money, time, and other resources will be saved for more productive activities.

- **Redundant costs**. With reports and findings provided by the customer management programme, executives are empowered to work out where they might be able to save more.

Step-by-step guide to effectively boost customers' comfort level

A major element of failure has been the tendency to implement customer management ideas without first identifying the firm's resources and its competitive strengths. Retailers need to spend time considering the following factors:

- What resources do they currently have?
- Is it necessary to make an investment?
- If yes, does it have a high ROI?
- What are the retailer's competitive strengths?
- What steps need to be done?
- How can retailers take full advantage of their strengths when they implement those steps?

From that perspective, executives can come up with a strategic plan to approach the customer management initiative. Here are some featured tasks that executives need to prioritise in the customer management process:

- **Write clear descriptions of ideal customers.** Identify differences between one-time and repeat buyers, and then figure out what behaviors and attitudes by those customers benefit the business. Particularly, retailers should answer these questions:

- What is the minimum revenue/profit that an ideal customer can generate each time?

- How many times does a buyer need to purchase to qualify as an ideal customer in a specific period of time?

- What is the attitude of an ideal customer?

- What kind of product does each ideal customer usually purchase?

Later on, retailers can use these descriptions as a "filter" for any prospect list they develop or as the information for running customer loyalty programmes.

- **Leverage customer information and their purchasing history data.** Set up a system that enables the business to record customer information and access the centralised database anytime, anywhere. Information about customers' adoptions, promotion participations, and product preferences may provide retailers with a more approximate level of customer characteristics. If this data is collected, the ability to generate more intelligent decisions will increase greatly.

- **Get closer—Collect customer feedback.** Encourage customers to give feedback, and then listen to and analyse what they have to say to get a well-rounded perspective and quickly adapt to customers' requirements. The feedback may provide useful insights for better products and/or enhanced services.

- **Consider running a promotion programme.** The overriding business requirement is to consistently gain profitable sales whilst achieving budget, satisfying customers, and increasing the market share. Hence, it is necessary for retailers to maintain the current customers' interest and continually meet or exceed their expectations on price and assortment. In addition, they need to attract new customers as well as those customers that already shop regularly. Therefore, it is important to set background prices at appropriate and viable levels to support the marketing strategy and then to supplement demand from offers and promotional activities to achieve sales targets. Retailers can use offers, such as straight item discounts, coupons, loyalty points, and buy one get one (BOGO).

Challenges that prevent retailers from success in customer management

As companies may not know exactly what will happen until they get started, facing tough challenges or even failing to accomplish goals is inevitable in the first stage. Therefore, although customer management can drive retailers towards economic improvement, most managers still hold back on implementing this programme. Even once the decision is made, if retailers do not have a technical system, or have an inefficient one, the following challenges are likely to crop up:

- **Data quality and collection errors**

Retailers, especially those with multiple stores in different locations, will need to put in extra effort to manage data in real-time due to late data delivery from different stores. Furthermore, data collection is important for any management system. Manual data entry errors, such as incorrect data, duplicated data, and missing data, can negatively affect data's accuracy as well as executives' strategic decisions.

- **Human-related issues**

For many businesses, the system that best matches their functional requirements can turn out to be too difficult to use. In an environment where employee turnover is high, poor usability can make it difficult to get new employees up to speed. They tend to need more time to accomplish tasks and get familiar with and use the system. Moreover, for

- **Promotion programme issues**

A promotion programme requires a solid infrastructure that allows retailers to forecast accurately and find out the right mix of promoted and non-promoted items. Moreover, retailers need to control the supply chain carefully to ensure that the right amount of inventory is in place for the promotion. Achieving these objectives can be challenging without a centralised platform for collaboratively planning and tracking promotional activities. Many retailers also lack the analytics for accurately predicting promotional demand and its effect on sales and profits. This can result in lost sales, poor profitability, disappointing service levels, and excess inventory.

It should be recognised as well that promotion programmes are two-edged swords. On one hand, customers are satisfied with the benefits they receive. On the other hand, they begin to expect greater incentives to remain loyal and can start to switch from seller to seller if their incentives remain unchanged. The result is that programmes designed to retain customers can also provide the incentive for them to switch.

The need for a best-in-class retail management software

More and more retailers are recognising that customer management, retention, and loyalty can bring long-term value to their business. Since applying these strategic approaches is not an easy task, retailers should consider implementing an appropriate retail management system to make all processes invariably smoother. Such a system will aid enterprises in:

- **Streamlining transaction processing**

With the right retail software, whether customers pay with cash, check, or credit, sales transactions are always fast and easy. Retailers can:

- Work with a customisable POS screen that offers immediate access to prices, availability, and stock location.

- Access customer profiles at the POS; handle multiple tenders and partial payments at checkout; and quickly create and process returns, back orders, sales quotes, work orders, and layaways.

- Accelerate checkouts, offer up-sells and cross-sells through suggestive selling of linked items, and implement automatic discounts for frequent shoppers.

- **Improving efficiency and minimising data collection errors**

A retail management system allows retailers to capture and store customer information, which can later be used for advertising, promotions, etc. In addition, the software will help retailers organise, simplify, and automate the otherwise tedious day-to-day business operations and transactions, and reduce the effort required for repetitive manual activities so that executives can have more time for other priorities. Data can be updated and accessed in real-time to improve accuracy.

- **Providing KPIs for the analysis and decision-making process**

Retail software enables executives to access, analyse, and share current, detailed data across the entire business, including multiple store locations with a wide range of flexible reports. In addition, efficient retail software should include built-in statistics and KPIs for users viewable directly within the software or through the prebuilt reports.

• **Bringing a user-friendly interface**

A leading retail management solution allows executives to customise data fields to track information they want regarding customers, inventory, and suppliers. However, to make it easy for everybody to adapt to the new system, a good solution must be designed so employees can learn POS procedures in minutes with built-in applications and an intuitive user interface.

• **Providing the ability to control the promotion programme**

Best-in-class retail management software will help retailers plan promotions, forecast their performance, and analyse the results. From this perspective, retailers can offer customers discounts at the point of sale whilst still limiting the impact of those activities on the product's profitability. A good retail management system should reduce an enormous amount of time by automating and integrating tactical tasks.

• **Better inventory management**

Retail management software will provide details on current item stock, identify additional stock required to smoothly operate the business, estimate inventory costs, etc. Retailers can also examine the number of specific items sold on any date and the number of items left on the shelf (i.e., current stock). All these details will help retailers place purchase orders based on the items that sell well in the store and have lower stock, thus avoiding unnecessary surplus, and minimising waste.

How TRG International can help

We bring you the market-leading solution from Retail Pro, which has helped retailers around the globe streamline their business processes and increase profits for nearly 30 years through:

• **Minimising disruptions with a retail management solution designed for rapid installation and ease of use.** Each and every Retail Pro screen can be fully customised and designed without any programming to ensure that the screen is intuitive, relevant, and follows retailer's business processes.

• **Implementing and controlling promotion programmes effectively.** Retail Pro enables retailers to set maximum discount percentages on specific items to limit the impact of discounts on the items' profitability. Moreover, it brings retailers native promotion functionality to support BOGO, BTGT, BOOM, coupon tracking, and more. Automatic discounting/pricing at point of sale based on customer type, number of units sold, or season also helps retailers maximise customer satisfaction.

• **Providing deeper analysis and the ability to make better decisions.** Retail Pro provides executives with built-in statistics, KPIs, and a hundred prebuilt reports, as well as the ability to personalise their own reports within seconds so they can measure the effectiveness of pricing/promotion campaigns.

• **Managing and controlling inventory.** Retail Pro allows executives to track inventory items across the entire product life cycle, define an unlimited number of pricing levels for each item for store- and customer-based pricing, and much more.

About TRG International

TRG International - an Authorised Business Partner of Retail Pro - is an independent provider of IT business solutions, and supports thousands of users in nearly 70 countries. Clients range from small domestic companies to large global multinationals in both the public and private sectors.

Our activities focus on enabling business and people to perform better.

• Business Applications Solutions for Accounting, Strategy, Planning, Budgeting, Retail, Hospitality, ERP, Business Intelligence, Golf and Virtualisation.

• People solutions to select the right people and develop them to their full potential.

Why choose us for Retail Management?

We bring you a complete package—software plus services—to help you get the most out of technology:

• Market-leading retail management system that helps streamline your processes and maximise profits.

• 18 years' proven success of implementation services.

Check out our Retail Management solution:

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