

# Retail Retention

Using data to build customer loyalty

As consumers rein in their spending and focus on the bare essentials, retail organisations have to change their behaviour in order to retain their valuable customers.

The current economic condition presents a good opportunity for retailers to put their own house in order and get themselves in good shape for when consumer confidence returns and spending increases.

With this in mind, there are two things that retail organisations need to do. The first is to gain a thorough understanding of their customers' behaviour and the relationship they hold with them in order to retain both their business and loyalty. The second is to manage budgets efficiently, by cutting out waste and spending money more effectively.

And data lies at the heart of this. The purpose of this guide is to offer retailers practical advice on managing data to retain your most valuable customers. In doing so, the guide will draw on the findings of the latest Experian global data quality research which, when combined with Geo Strategies' findings for Romania, will help retailers manage their way through the current economic downturn, and the part data can play in helping them to grow their business.

## Global research retail summary

- 36 percent of retail organisations don't have a documented data quality strategy
- 87 per cent said customer retention will be a big focus in 2009
- 63 per cent plan to invest the same or more in data quality initiatives in the next 6 months
- Only half update their databases every quarter

In Romania, the effect of the recent boom in consumerism acts as inertia and customer retention hasn't yet moved beyond the blanket of "special offers" and similar inducements. However, retailers in Romania are in a better position than those globally, as they have a "younger" customer base: this means they have less data and, in turn, less to clean and organise. This means a potentially shorter route from the wealth of information collected on their customers to converting it into useful action.

In three sections, the guide offers advice on how to exploit data in order to retain customers, and on how to best manage data within a retail organisation. It also considers the importance of having a data quality strategy and gives top tips on where to start.

## Local (Romania) research retail summary

Customer retention is now beginning to concern retailers - beyond the level of blanket "special offers".

However, no retail organisation interviewed has reported having a documented data quality strategy.

In spite of this, data management disciplines are beginning to take over from simple data warehousing with a growing need to clean and update the data on a periodic basis.

A growing number of retailers begin to appreciate the value of data and are planning to invest in data quality initiatives.

## 1. Getting up close and personal with your customer

This section looks at maximising relationships with your existing customers, explaining how you can use the transactional data you hold on them as a guide to the types of products and services they might want from you in the future. It also explains how you can use this data to identify your most valuable customers, and find others like them.

## 2. Spending on data – the precious budget

Global Experian research indicates that 85 per cent of retail organisations plan to invest as much, or more in data quality tools this year as they did last year. "Spending on data – the precious budget" looks at securing budget for data quality initiatives by demonstrating how poor quality data can have a negative impact on all areas of a business and the ROI that can be expected as a result of improved data quality.

## 3. Data in detail

How do you go about improving data quality? This chapter discusses why it is essential to create and document a data quality strategy that outlines the reasons why you need to improve data quality, and the processes that can help you get there.

# 1. Getting up close and personal with your customer

In tough economic conditions, it's vital that you retain your most valuable and profitable customers. Globally, 87 per cent of retailers said customer retention will be a big focus in 2009.

But for any customer retention strategy to bear fruit, it's essential that the data you hold on your customers, including everything from their name and address to their past purchases, is as error-free and as up-to-date as possible. With accurate data, getting the basics right can be simple. Imagine receiving a birthday card that arrives late with your name spelt incorrectly, and a message wishing you good luck in your new job. You would wonder if that person cares about you at all, and it's the same with your customers.

Accurate data also enables you to better understand your customers and then target them with offers that are most relevant to their needs and interests. You'll be able to contact them using the channels they most often use and also as frequently as they may expect.

With access to your customers' transactional behaviour, you can see what they have bought in the past: this serves as a reliable indicator of the products and services they might buy in the future. You'll also be able to see what their purchasing habits are: are they a new customer with one basic product, or a loyal customer who uses various products across their organisation.

By conducting basket analysis of customer transactions, you can cross-sell and up-sell to your existing customers, usually at a much lower cost than acquiring new ones. Additionally, you can use this information to identify your best and most profitable customers: then you can apply Mosaic segmentation and identify the locations of other potential customers who share similar characteristics and who may therefore offer good potential for further sales.

## Decaying data

The trouble with data, however, is that it's only as good as the last time you cleaned it. Even if your database is up-to-date, de-duped and as accurate as possible on Monday, you can say with absolute certainty that it won't be fully correct by Tuesday! This certainty comes from the fact that, in the course of a single day in Romania (according to INS, 2008) 700 people die, 600 people move house and ~ 1,300 properties are being transacted.

Perhaps the reason why many retailers don't update and clean their customer data as often as they ought to is the perceived difficulty and cost of doing so. Indeed, when asked about profiling the data they hold on their customers, many retailers believe they don't have the resources to profile their customers; in practice, it is often the embarrassment of unclean and incomplete data which really hinders the generation of insight leading to action.

Cleaning and updating a customer database frequently does not have to involve a large investment. It can positively impact a business in many different ways, from a reduction in the amount of money spent on wasted direct mail packs, to the potential for increased revenue presented by cross-selling and up-selling opportunities. Accurate data can also help an organisation identify people who are likely to default on payments, and eliminate them from their marketing activities.

When questioned, 25% of organisations in the retail sector admitted that they are unable to identify such customers.

*"With access to clean address data we were able to identify our best customers and target similar people in other localities. In this way we made better use of our marketing budget".*

VP Marketing  
Leading Bank in Romania

## The single customer view

Ultimately, accurate data can help an organisation achieve the much-vaunted single customer view (SCV), which should be at the heart of all customer activity. With an SCV, a retailer can see exactly how any given customer has interacted with the company, through whatever channel. In an era when consumers routinely shop with the same retailer through multiple channels (online, in store, catalogue, telephone), it has never been more important to have an SCV in place.

With an SCV, the retailer can see who are the highest-spending customers, and make a point of rewarding their loyalty. And with reference to additional data for profiling, the retailer can paint an even more detailed picture, identifying their best prospects for any new activity. But any SCV is only as good as the data that underpins it. Without accurate and up-to-date data, whatever view you have of your customers will be an incomplete one, and any decision making or marketing activity that relies on this information may result in wasted effort and an unsuccessful outcome.

*"Our shop assistants were not collecting customer contact data rigorously and, as it was then, it was impossible to identify returning customers. With help, we managed to get on top of problem areas such as duplicates and incorrect street names. These problems are now no longer distorting the reports and making loyal customers appear to be of less value than they really are to our business".*

Marketing manager  
Pharmacy chain in Romania

## 2. Spending on data - the precious budget

Databases don't clean themselves, and while technology has a big part to play, there is inevitably a cost associated with the cleaning process, even if the emergence of on-demand services now makes it feasible even for smaller organisations to clean and maintain their data, without making heavy investments in bespoke data cleansing tools.

When questioned about the level of trust they had in their data, only 3 per cent of retail organisations said they trusted it 100 per cent. It's clear that this lack of trust - or lack of trust - is prompting retailers to invest more to ensure their data is kept accurate and up-to-date. 63 per cent of retail organisations questioned said they plan to invest the same or more in the next six months.

To secure the budget and the buy-in for data quality initiatives, don't treat data purely as a marketing asset. It impacts all areas of the business and, as such, budgets could be consolidated across the business and spend apportioned to ongoing data management.

In order to secure the budget for data quality initiatives, you need to prove the business case for doing so. A simple data audit will tell you what sort of state your data is currently in. By identifying the percentage of out-of-date, duplicate or otherwise inaccurate records on your database, you can begin to calculate the amount of money being wasted on ineffective marketing campaigns, returns caused by deliveries going to the wrong address, bad payers, and all the other areas where inaccurate data has an impact on the business. Once you've done this, you're halfway to proving the business case for better quality data.

### **Want to pitch for more budget? Learn how to read your boss' mind....**

*Pitching to the board for investment is not an easy task, regardless of where you are based geographically. We don't expect you to be mind readers but we do expect you to consider what's on our minds. When pitching for budget you must ensure that your project ties in with wider business objectives. At the moment, for example, three topics that are hot on many boardroom agendas are how to strip out cost, how to protect revenue / make customers 'sticky' and how to improve efficiencies. Data plays a key role in all three.*

*Position data quality as a solid foundation for improving business performance. This will help you secure budget and Board level support which is crucial in ensuring continued momentum. Be careful how you use the term innovation. Some senior managers are wary of it as it suggests an element of risk but when harnessed correctly it can deliver great results. You should ensure that the proper checks and balances are put in place to justify the expenditure you need to achieve your objectives.*

*A presentation to the Board can be useful to highlight the options available to improve the business processes and manage control.*

Jonathan Hulford-Funnell, Global Managing Director for Experian QAS



**Research demonstrates that the majority of organisations still hide their heads in the sand when it comes to actually doing something about their dirty data.**

Dynamic Markets, Jan 2008

## 3. Data in detail

The first step to getting your data in good order is to create and document a data quality strategy. This serves two purposes: it forces you to think about your objectives, and what you want to do with the data. And it gives everyone in the organisation a blueprint that explains what you are trying to achieve, and the processes by which you are going to achieve it.

With a clear data quality strategy based on accurate data you can:

- profile your database
- target the most valuable customer
- view past purchase history
- produce accurate reports on data-based activity (e.g. Marketing return on investment)
- make important decisions with real confidence

The global research found a broadly even split between retail organisations that do have a documented data quality strategy, and those that don't even know if they have one. 47% of retail organisations surveyed said they have a documented data quality strategy, while 36% said they don't, and 17% simply didn't know!

### **The following points of consideration should enable you to plan a data quality strategy:**

- Assess where you are now. Examine the quality of the data you hold today in terms of accuracy, completeness (addresses missing parts of the postcode, for example), and duplicates, and then set realistic targets for where you hope to be in three months, six months, and one year's time.
- Think about the key drivers and pain points for the main stakeholders in the business so you can demonstrate to them how the data strategy will help to improve things.
- Explain how better quality data will impact various departments positively across the business:
  - Marketing: reduce spend on inaccurately targeted and mailed communications
  - Distribution: reduce the number of returns
  - Finance: identify those customers likely to default on payment
  - Customer services: accurate communications keep customers loyal

- Put processes in place to regularly assess the quality of the data you hold. Nothing decays like data, so measure data quality constantly. Check the accuracy of your data, also the time it takes you to process data when preparing and executing campaigns. Look for improvements in your customer satisfaction rating and in the performance of your marketing campaigns as waste is eliminated.
- Also, remember that you can go beyond the data you hold and use additional datasets to enhance your customer data. For example, Mosaic segmentation will help you gain a comprehensive picture of your customers and prospects.
- Finally, don't stop measuring and benchmarking the quality of your data. When everything seems to be running smoothly and your data quality programme seems to be doing its job, revisit your initial objectives to see how your results are improving. Review the process regularly and make sure the key stakeholders are kept fully informed of your performance. This is a journey, not a destination, and if you're serious about data quality, you can't afford to just "set and forget".

### **Top tips**

- 1. Measure your data. What does it look like today?**
- 2. Agree what you want to achieve**
- 3. Show how data quality impacts the entire organisation to ensure buy-in**
- 4. Use available technology and services**
- 5. Don't stop measuring**

# Summary

## You need to clean your data and focus on loyalty before relying on loyal customers

'Focus on your best customers' is something we all hear - especially in hard times. The mantra is that we must all move from customer acquisition to customer retention.

Typically, somebody notices that the key metrics (net new customers, costs per sale, etc) are declining. The message is that, while the acquisition process hasn't changed, the quantity and quality of the customers being acquired has indeed changed . . . for the worse!

Yet, we carry on doing more of the same but in the expectation of achieving improved results. Eventually realising that more of the same hasn't worked, companies switch the conversation entirely to focus on developing and improving their relationship with existing customers.

When thinking about loyalty, two metrics come into play: retention rate, and the number of sales per customer.

### Retention

How do you encourage retention?

Well, you can throw new products at the target market. However, this is expensive and not many companies are set up for constant innovation.

Another obvious route is to cut prices. This is an excellent short-term solution for retaining business but it also affects short-term value and has the potential for destroying the business model over time - and even the business itself.

### Number of sales

It is hard to change the retention rate in the short-term, so can we increase the number of sales we make to each loyal customer? If the best you can expect from them is for a repeat purchase of what they have purchased before, then you'll never grow your business. For that you need new customers.

### Average sales value

The only practical metric most businesses can influence in the short-term is the average value per sale. You can achieve this by encouraging the customer to add beyond his or her main purchase ["Do you want fries with that?"] or 'bundling' (e.g. buy 18 months' insurance and pay for only 15).

Of course, cross-sell needs to be appropriate, it needs to be credible, and you must be able to deliver. Get it right and you encourage 'loyalty' in the best sense - that is customers giving you more money for providing more of what they want . . . today.

### Make life easy

So, forget about improving what is tough and won't be quick to implement. Instead, focus on short-term cross-sell and up-sell opportunities within your existing customer base and re-build your acquisition programme which is where your long-term gains lie.

*"...improved data accuracy and subsequent data enhancement has enabled our retail business to gain a better picture of the true value of each customer."*

CEO, Financial services company  
Romania

### In a nutshell

In many respects, retailers are in a good position: the transactional data available to most is an incredibly valuable asset. However, retailers must ensure they make the most of this in order to have a thorough understanding of their customers to retain their business and keep them loyal.

The research shows, however, that in many instances data is being both underutilised and under-maintained and no doubt many retailers can offer a good explanation for this. With data entering the organisation from many different customer touch-points and then residing in different parts of the Business, keeping on top of it all can seem like a daunting, even impossible task. But the good news is, it really isn't so difficult after all.

Modern data management software can extract data from different databases and consolidate it into an existing database which can then be de-duplicated, cleaned and updated as often as is necessary to meet an organisation's requirements. The important thing is to recognise this and take steps to put it right.

We hope this document helps provide the impetus to do so.

# Additional resources

For access to additional occasional papers, or to find out more about how Geo Strategies Experian might help your retail business in Romania: e-mail [mosaic@geo-strategies.com](mailto:mosaic@geo-strategies.com) or visit - [www.mosaic.geo-strategies.com](http://www.mosaic.geo-strategies.com).

## **Marketing success in a slowdown**

With a positive attitude, tough times can be seen as 'character building'; a slowdown can bring as many opportunities as a boom and certainly puts marketers to the test. [This paper](#) presents 12 steps for careful management of the effect of slowdown on a business's performance, as opposed to just reacting to it. By applying these steps, marketers will give themselves the opportunity not only to survive a slowdown, but to thrive both during and after it by establishing their position as essential value generators for their companies.

## **The Leaky Bucket: Four ways to fix your customer retention issues**

Many companies spend an absolute fortune on acquisition for very little profitable growth. [The Leaky Bucket](#) approach is a very expensive way to run a business. With the economic downturn, the days of high spend acquisition campaigns are over. Retaining your existing customers, and delivering profitable growth is more important than ever. This summary is based on the examination of four of the most material impacts on customer retention and offers some solutions on how to tackle customer churn effectively.

## **Consumer Insight**

The Experian Insight Reports suggest that perception and economic slowdown behaviours amongst consumers and businesses are helping to drive down the economy. Consumer behaviour is out of synch with the real state of the economy – fuelled by a 'feel bad factor' based on perceived threats to personal and financial wellbeing. Romania is no exception!

The big theme in 2009 continues to be [insight-led customer management](#), whether this relates to marketing, customer risk, or collections and recovery programmes. The same can be said of managing business relationships. At the heart of this new strategic thrust will be organisations' desire to anticipate and react to changes in consumer and business behaviours to ensure they adapt and diversify over the course of 2009 and beyond.

Now is the time to focus on re-establishing, reinforcing and reinvigorating relationships with current customers by placing greater emphasis on the exploitation and application of existing data assets. Quite simply, data and analytical insight knowledge will take centre stage in helping businesses to weather the storm and shape their future strategies.

## **Value of an address (address cleansing & data management)**

Data quality is a compelling challenge for every business especially at the present time with shrinking budgets and increasing legal pressures for compliance.

Geo Strategies has carried out a [cross-industry audit](#) in Romania and their findings are published together with their recommendations. In summary, data quality can seem like a daunting task, but it's really all about having the right people, processes and technology in place. The fundamental 'brick' of any database is a clean and accurate address; data management and quality is a journey and support is at hand for organisations who wish to deliver more value from their existing customer base. The ten simple steps recommended help organisations focus their effort and build an action plan of how to approach this massive challenge. Once cleansed and standardised, data will become a more sustainable value generator, as opposed to a cost!

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To find out more about what Geo Strategies could do for your business in Romania go to [www.mosaic.geo-strategies.com](http://www.mosaic.geo-strategies.com)

