Loyalty and Personalization: The Next Generation of Retail CRM Benchmark 2008

By Nikki Baird and Steve Rowen, Managing Partners, RSR Research

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Benchmark Report Fast Facts

- RSR conducted an online survey from July-August 2008 and received answers from 90 qualified retail respondents.

Business Challenges

- The act of collecting customer data does not in itself bring retail success – 56% of retailers with lagging performance (which RSR defines as posting less than 3% increase in sales year-over-year) have been collecting customer data for more than 10 years, compared to 24% of Winning Retailers (those that post greater than 3% in sales increases year-over-year).
- While customer price sensitivity continues to lead survey respondents' business challenges, with 48% reporting it a top challenge, other concerns are creeping up in importance, including higher expectations for customer service (46%), and the need to deliver more personalized communications (46%).
- 40% of respondents indicated that economic conditions are a business challenge, up from 23% in a separate survey conducted six months ago (Jan-Feb 2008).
- North American retailers are more worried about the economy than their peers, with 45% rating it a top-3 concern, vs. just 13% of European retailers.
- European and Asian retailers are more focused on personalized communications (63% and 56%, respectively, vs. 42% of North American retailers).
- Larger retailers – those with sales over $5 billion – are most worried about price sensitivity: 83% rated it a top-3 concern, compared to only 48% overall. Smaller retailers, in contrast, are much more worried about the economy than their larger peers (46% of retailers with less than $50 million in sales rated it top-3, vs. 17% of those with sales over $5 billion).

Opportunities

- 80% of respondents said that customer data has grown more important to their company in the last 5 years.
- 58% of respondents ranked driving purchase frequency a top opportunity for customer programs.
- Laggards, however, remain far more focused on simply driving sales: 77% rated it a top opportunity vs. 46% overall.
- It appears that FMCG (fast-moving consumer goods – grocery, drug store, convenience store) retailers are more sophisticated than their peers when it comes to identifying and taking advantages of opportunities that customer relationship management can provide; for FMCG retailers, driving sales was actually nowhere near the top of the list. Instead, shifting lower-value customers to higher-value tiers and using customer data to localize assortments tied for the top opportunities on FMCG retailers' lists with 64% of respondents.
- Respondents report collecting data from an average of two channels – primarily stores (81%), with online a close second (69%)
- A majority of survey respondents work with less than 5 segments per offer, and communicate monthly or less often with customers.

Organizational Inhibitors

- Seventy-eight percent of laggards cite getting valuable insights as a "very influential" barrier, vs. 67% overall, despite strong internal support for loyalty programs at lagging retail companies.
- The largest retailers are more willing to invest in people and organizational opportunities: 67% of retailers $5 billion and above said they needed more statisticians and analytics resources to analyze data (vs. 27% overall), and 50% said they need a customer management-specific organization that pulls in people across multiple functions (vs. 39% overall).
- 31% of survey respondents who indicate that their company has no designated owner of customer data.
- Only 20% of respondents strongly agree that they know who their best shoppers are and only 9% strongly agree that they have a strong single owner of the customer experience.

Technology Enablers

- Top of the list in 2007 in terms of technology adoption plans was promotion optimization. This year, rules-based engines for delivering promotions in channels tops the list, followed closely by integration into those channels and the analytics tools for customer segmentation (a critical input into promotion optimization).
- The biggest drop in adoption plans, with no significant increase in "rolling out" or "fully deployed" solutions, was promotion optimization. It appears

that many retailers are learning that there is a lot more involved in promotion optimization than they first anticipated.

Recommendations

- Measure what your customers value
- Designate an owner/advocate for customer data
- Designate an owner/advocate for the customer experience

For more information:

Contact Nikki Baird at nbaird@rsrresearch.com or 303-683-6613.