

## **Retail – Customer is King – RFID & CRM based Customer Loyalty Program (CLP)**

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The only way to survive in the retail world is to – ***“Ask not only what needs to be done to get new customer, but also what you need to do to retain your existing customers”***

Retailers are doing more to attract new customers than keeping their current customers happy. Retailers spend over \$100 billion annually on advertising and other promotions to drive traffic into the store. “Retailers come up with many schemes to bring new customers in but what about **ME** the loyal shopper?”

The Loyal Shopper – is an untapped source of immediate revenue that can give the maximum ROI if planned properly. Unfortunately, many retailers do very little to keep their customers happy, taking them for granted. According to a recent research study by Verde Group, this was confirmed by the Baker Retailing Initiative at the Wharton School at the University of Pennsylvania. More than 50 percent of Americans say they have had a poor shopping experience recently and each of people reported that experience to an average of four friends, most of who will go out of their way to avoid that retailer.

***“They did not realize how valuable I was to them, till I took my business to their competitor”***

Take my experience with AOL (still applicable in retail scenario). I was a faithful subscriber to AOL for years, but AOL never gave me any incentives to stay with them. ***They just forgot I existed.*** They would offer new customers, 1 free month service if they signed up, but nothing to me their faithful customer. Finally after 4 – 5 years when I cancelled my subscription they started calling me to come back & join then, saying that they would give me one month’s free service if I came back. That made me mad, why wasn’t I given one free month for every year that I stayed with them, they were more interested in making new customers, taking their existing customers for granted, well they lost a loyal customer for good. Compared to the time, effort & money spent in attracting new customers, it takes very little to maintain an existing customer relationship, but that little is so crucial for survival – ***“Know thy competitors, but know your customer even Better”***

Everything depends on how well you know your customer & how well you use the real-time information generated to keep them satisfied. You need to understand them and their relative value to the enterprise, not just immediate but in the future & provide them with the appropriate level of service. ***Don’t take your existing customers for granted.***

This article is based to a large extent on some of our findings & solutions that came up during our RFID enabled Customer Loyalty Program (CLP) Proof of Concept (POC) that we developed for a Major Retail Chain in India and are now in the process of deploying the solution across the entire chain.

### **RFID & CRM based Customer Loyalty Program (CLP)**

Existing customer loyalty programs (CLP) have provided retailers the view that, the top 30 percent of their customers account for approximately 75 percent of their sales.

CLP programs have to be launched very carefully giving the customers a detailed overview of what it includes & the precautions that will be taken to safeguarding the privacy of the data generated. CLP programs can fail if Privacy issues are not addressed properly. Have multiple Opt-in schemes where the customer can opt for certain features they are comfortable with. The CLP reward structure has to match the features that the customers select.

#### **1. Customer Relationship Management (CRM) Solutions**

Customer Relationship Management (CRM) programs are becoming more of a business strategy for retail chains these days. Retailers have maintained loyalty programs for years. Valuable customer purchase information has been collected, but little has been done with the data. Its time to make the real-time data collected by RFID and other AIDC technologies work for you – ***“Ask not how much data you have, but how the real-time information can help your business”***

CRM applications along with RFID based CLP programs will give retailers a real-time view of customer behavior and needs.

Retailers need RFID based customer loyalty programs (CLP) to recognize the customers in real-time in order to provide customers with the personalized shopping experience they are looking for. Creating a positive shopping experience, and creating the perception of value in the customer's mind, will be the absolute key to success.

Ideally, the real-time information gathered by RFID based CLP program can be used by the retailers to know who their customers are and the products they want to buy and also what products you can sell them. ***“Ask not what your customer needs today, but what else you can sell them”***

## 2. Personalized service – A Store where everybody knows your name

Retailers need to prove to the customers should that their business is appreciated. The first step in this process is to personalize the service that you can provide, by identifying the individual customer. Clients like to go to stores where everyone (staff member) knows your name (*Like the Boston Bar in the TV Series “Cheers”*), it makes them feel special. RFID based CLP program can be used to identify the customers as they enter the store & are greeted when they enter.

A customer may have a favorite customer service representative. Make sure that they are notified when their customer comes to the store. When a high net-worth customer comes to the store; make sure the Manager is there is assist them. These small things make a big difference. ***“A satisfied customer is a repeat customer”***

## 3. Match offers to customer needs in real-time

Reward programs have been a great value to retailers in driving customers in. Currently you have to go through the papers to see what coupons are available. **In-store Coupon Kiosk** – RFID based CLP program can be used in Real-time, to identify the customers at Kiosk (& there by their buying patterns & preferences) & offer them instant coupons. (Also offer On-line web-based coupons that they can print out & bring with them.) Other ways are to give customers better offers on slow moving items or items that are nearing their expiry date.

In-store advertising to a customer is very important as you have a captive audience. For CLP customers that opt to have additional interactive service, when the CLP customer enter the store the customers can be sent an SMS message on Cell phones or compatible mobile devices greeting them to the store, informing of them of current specials in the store, wishing them on their Birthdays, etc. Instead of SMS, Bluetooth technology can also be used to beam much more interactive Advertisement's, Promotions, etc to the Cell phones or compatible mobile devices of customers participating CLP customers. ***“Make them a Mafia offer – an offer they can't refuse” Dr. Eli Goldratt (Goldratt Consulting)***

## 4. Behavior-Based Loyalty Programs

RFID based CLP program can be used by the manufacturers and retailers to initiate programs that motivate consumers to look at new products on the shelf, by offering them higher discount coupons for things they have not previously purchased from the store, there by opening up a potential for new business. Expand the buying profile of your current customers. ***“Ask not what your customer needs today, but what else you can sell them”***

5. **Out of STOCK – How much do you lose in sales from out-of-stock products? More than you can imagine**

The average retailer's out-of-stocks are over 15 percent, this is a lot. But the loss in revenue as a result of the out of stock is much greater maybe even as high as 20 percent in the long run. Because unfortunately, not only is it a **lost sale**, but **potentially a lost customer**, if they go elsewhere to fill that need, the retailer ends up losing much more.

**Never loose the sale**, all the marketing in the world will not help if you can't keep your current customers happy. ***"It may not be the end of the world if you are out of stock, but if you loose customers, it will be"***

With properly trained Customer service representatives you can prevent the loss of sale due to maybe an out of stock item by immediately offering them an  $X\%$  discount on that product if they come back for it again, by convincing them to have it delivered, call & inform them that it has arrived, etc. The Possibilities are endless, the determination not to loose the customer is important. ***"Fight to keep your customer – loose them & you have lost the battle"***

The out of stock situations can be brought under control with the help of Real-time information gathered from RFID enabled devices can help retailers by generating automated PO to keep the shelves always stocked, tracking the supply-chain & making it more efficient & getting the real-time information from it.

6. **Properly trained Staff - "A store is only as good as its worst employee"**

Labor costs are the single greatest controllable expense & the single largest factor in the success of failure of the store.

Staff turnover is as common in retailing as returns, which means training has to be continuous and proper budgets have to be in place to train the employees or risk increased employee turnover (which becomes very costly over time) and also reduced customer service, due to a lack of proper training. Labor cost reduction has to be managed properly or the customer service and store conditions may suffer. This, of course could lead to a downward spiral, resulting in lost customers and sales.

#### 7. **Customer Service, Customer Service, Customer Service –**

A properly trained staff is the single greatest Asset that a Store has. With properly trained staff you can prove to your customers that you value them & their business. Providing a pleasant shopping experience, the customer will be more inclined to shop longer looking at various in store deals, etc. resulting in higher sales. **Your Staff performance can make or break you.**

#### 8. **Lost Sales – The Cardinal sin of retailing – *Why did the customers not buy during their visit?***

Customers usually enter your store with the intent to buy. The customers may become dissatisfied, when the shopping experience doesn't meet their expectations, there could be many reasons – store personnel aren't available to help or the checkout line is too long, etc. Stores need to keep an eye for store traffic, check-out wait times, cashier service time, cart abandonment's, etc. Good service is very important. **“Its not that they did not buy, but you did not do a good job of selling it to them”**

RFID based CLP program can be used to track the efficiency of the processes that are currently in place, get real-time information on the bottlenecks & help them overcome these obstacles to provide better service to the customers.

#### 9. **Internet Shopping Kiosk: How may I assist you?**

Let the Kiosks enhance your business as well as save you money as a trained staff member is not needed and at the same time the customer can browse at their own pace. The longer the customer is at the Kiosk the better chance of a larger sale.

Place a web-enabled large flat touch screen monitors in high traffic store areas such as the children's department, home furnishings, etc. If the customer is looking for a particular bedding set or matching accessories and can't find a particular item or style, they can use the computer station to click on Retailers web site and see the available inventory in all colors and sizes. Something similar to what J C Penny Direct has done. To go one step further, the customer can take a suit, bed sheets or any item that contains either a RFID label or Barcode to the internet Kiosk & have the system scan it & open the relevant section of the online catalogue saving the customer time it would take to navigate to that section.

The Kiosk can also recommend matching accessories that customers can buy based on what other customers who looked at similar items bought or in case of an RFID enabled CLP customer

on their personal buying history. Also show a clip of the clothes on the runway, show a collection photographs and designer sketches, or providing more in-depth information about the color, cut, fabric and materials used to create it. Something similar to what Prada has done. In addition, by clicking a button, the System notifies the customer service in real-time to have that item ready for the customer, it also prints a small description of the product so the customer can take it to the customer service desk where they can take a look at or buy it making it a little more interactive & in real-time.

**10. Make checking out simpler for the new breed of customers on the go– *Rush, Rush, Rush – We are all in a Rush to get somewhere***

Retailers need to make it convenient for the customers to speed up their purchases in your store. Most frustrating part of the shopping experience is the slow checkouts & long lines. Retailers need to look at other faster payment or face the possibility of losing their customers to their rivals.

According to a survey conducted by Chase, One-third of Americans (32%) get frustrated after waiting in line for 10 minutes or less, but the following behaviors make it worse – slow/ inefficient cashiers (23%). Women are more likely to be annoyed with a slow or inefficient cashier while twice as many men get aggravated when people write a check at a merchant.

Many Retailers have either their own private label credit cards or Co-Branded cards with Banks and card associations – such as American Express, MasterCard and Visa. Using co-branded RFID enabled options like the American Express RFID-enabled ExpressPay cards; Citibank's (Master Card) PayPass cards and RFID embedded keychain fobs co-branded with the retailer's corporate LOGO, doubles as a brand builder.

Results of the tests conducted by American Express showed that, on average, ExpressPay transactions were 63 percent faster than using cash. The major benefits for the consumer are speed, convenience and simplicity of use, for merchants, important advantages include reduced transaction and service time. Not only does this speed up the purchase but, the cardholders get incentives and discounts from the merchant co-branding the card, co-branding retailer gets a share of the revenue generated through such transactions and the Credit card companies benefit from the transaction.

Parents can give their kids Keychain Fob's that can be used for shopping at either the malls, fast food chains or any place that has accepts the particular branded Keychain fobs (like Citibank's fob). This way the kids do not have to carry cash with them, it makes it safe & convenient. Customers also have the option to top off the cards in any denomination, online through their Credit Card/ Banking System or at customer service desk at various Malls, Banks, ATM's, etc. The parents can also choose to have the option to keep a track of how their kids spend their allowance, as every transaction is recorded.

In a survey conducted by Smoothie King, of their initial program participants conducted following the trial, 94% of respondents said they favored the convenience of the fob form factor; 43% of fobs purchased were reloaded within one month and nearly 60% stated that they would be "very likely" to load their fobs again.

Retailers need to move away from Cash-based transactions are among the most costly because of the extra time it takes to process a cash transaction, relative to a credit or debit transaction to RFID based payment systems as it keeps consumers from fumbling around for change or small bills.

#### **11. In-Store Advertisements**

In-store advertising to a customer is very important as you have a captive audience.

Have displays in every Aisle, which target the customer specific to the contents of that aisle that they are currently in.

Another important area to target is when the customers are in the check out line, advertising the in-store Pharmacy, Movie rental, benefits of joining the CLP program, other sections, etc. Not only will this have the potential to get extra business but also the customer will be distracted from the time spent waiting in line.

#### **12. Web Based Ordering**

Online shopping may not be possible for every retailer, but provide a way for your CLP customers to go online by entering their Customer ID and see exactly what is in the store, including the specials, and place an order online & the customer can come to the stores or maybe even a drive through window & pick them up (that I like). Or if possible have the goods delivered for a fee.

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Homi has a over 15 years work experience, starting his career in engineering, retail & moving to IT with CIS & then as Director at Radix Software, with a brief stint at Solectron Global Services eventually joining SkandSoft Technologies.

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#### SkandSoft Technologies

Is a software development company with a dedicated focus on RFID & follows its Partner Engagement Model of working exclusively through its System Integrators globally.

SETU™ (US & Global patent applied & pending) is a one-stop RFID information management platform that allows any solution to be developed (CLP, Asset Management, Visitor Management, ePharma, etc.) for any vertical (Retail, Pharma, Manufacturing, Logistics, etc.) SETU™ helps comply with multiple RFID mandates on a single platform and is the first to comply with all of EPCglobal Gen2 specification. SETU™ talks agnostically to any AIDC/ RFID hardware and any backend enterprise software like ERP's, BI, CRM, etc.

SkandSoft's SETU™, is the recipient of the prestigious Frost & Sullivan, 2006 RFID Emerging Technology of the Year Award. [www.skandsoft.com](http://www.skandsoft.com)

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