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The 4 Cornerstones for CRM Retail Investment in 2010



By John K. Higgins
CRM Buyer
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The future of retail is once again the customer, and retailers have become acutely aware of the value of CRM systems in building satisfaction and loyalty. The most critical CRM components for retail success in 2010: management of customer data, multichannel sales and marketing, social networking tools and brand advocacy.

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Retailers in the U.S. are convinced that customer relationship management (CRM) is one of the most important aspects of their business. However, the sector in general has **failed to utilize the full potential** of these programs, and the industry will be striving to elevate its CRM game in the future. That's good news not only for customers, but also for the providers of CRM technologies and services.

"Although the implementation of CRM is at different levels among individual retailers, I think that as an industry, retailers have seen the effectiveness of using CRM," Mike Gatti, executive director of the [Retail Advertising Marketing Association](#), told CRM Buyer.

"Those programs not only help retailers understand who their best customers are, they have also helped them focus their spending," he noted. "You can pinpoint your sales programs better and be more effective in areas like targeted direct marketing,"

RAMA is associated with the [National Retail Federation](#).

In its Retail Horizons 2008-2009 survey of 400 executives at 153 retailers, NRF found that focusing on customer satisfaction and retention was a primary objective. Traditional marketing, based on merchandising and driving traffic through stores through heavy advertising and discounting, may never disappear -- but retailers are now paying equal attention to programs that emphasize the individual customer -- referred to as "customer centric."

"We were impressed that in the survey, customer considerations were the top priority for three straight years from 2007 through 2009," said Janet Murphy, president of [Ogden Associates](#).

"That was significant during a gloomy period when belt-tightening and other factors were also important," she told CRM Buyer. Ogden conducted the survey work for NRF.

"Good systems infrastructure and applications are essential both to retailers' day-to-day survival and to their ability to gain market share in the dog-eat-dog environment that many will face in 2009," NRF reported.

"While retailers will be watching IT expenditures with particular care in the coming months, they will continue to invest in processes and technology related most closely to their most fundamental business strategies," the report states. "In this context, the currents of transformation toward a more customer-centered, knowledge-based, and integrated way of doing business will continue to dominate the IT agenda."

Given the commitment to a customer-oriented future, retailers will need to focus on the programs and e-commerce tools that will best support a viable CRM effort.

Data Management

The foundation for a robust CRM program still requires the generation of data regarding broad consumer trends and, increasingly, more and better information on individual consumers.

"At the end of the day, database technology and data analytics will be the crucial element for the retail sector," Chris Fletcher, research director at [AMR Research](#), told CRM Buyer.

Traditional retailers that operate through extensive physical stores, as well as online retailers, already gather huge amounts of data about their customers. Past transactions, credit information and demographic data are relatively easy to compile.

"Retailers have spent big bucks on this, and they have tons of data at their disposal. So far that has worked in helping them target specific marketing campaigns using special offers and discounts and things like that," Ogden's Murphy said.

Currently, retailers may use ZIP code and income level data, say from monitoring home sale prices in a section of the country, for direct mail campaigns to motivate consumers to visit a store. However, such efforts are still a blunt instrument. Enhancing that data with specific customer information is the next challenge. For example, it should be possible at the point of sale (checkout) for a store to generate a coupon related to the amount or type of purchase that could trigger repeat business and create customer loyalty.

Similar customer engagement data can be developed by tracking an individual's visit to a store Web site, where browsing behavior can be captured. Subsequent visits from the same customer's computer can trigger special messages or offers related to the browsing history. With the integration of such detailed information from a variety of sources, individual customer needs can be determined and an array of responses generated to improve the entire customer experience.

Multichannel Contact

Retailers increasingly are using a variety of "channels" to reach consumers, including in-store kiosk displays, e-commerce, call centers, catalog sales, and mobile devices.

"There is good progress in deploying these tools, but right now there is still somewhat of a silo approach, in that retailers haven't fully integrated all the data they are

customers.

Brand Identity and Advocacy

Customer loyalty activities have been in place in the U.S. for nearly a century, going as far back as [Green Stamps](#). More recently, the a has been adopted for retail rewards programs.

All of these require a high degree of e-commerce facilitation tools that fit right into the CRM mold. This trend is increasing, with the ad observed Burnett.

"A satisfied customer can be helpful in passing the word to neighbors whether they are next door or on the Web. The idea is to provide actually advocate a product or a retail outlet to their acquaintances," she said.

The use of social networking tools enhances a consumer's ability to advocate. While jokes and cartoons are widely recirculated via ema personal financial and business information, Burnett pointed out.

With the retail sector moving to more consumer-oriented marketing, the use of dynamic CRM programs in the sector is likely to contin

"Retailers today understand the value proposition behind CRM, in that it offers a complete and consolidated view of their customers to behaviors," Dave Burton, product director for CRM services at [Epicor](#), told CRM Buyer.

With such programs, he said, "retailers can better satisfy the needs and desires of their clientele, gain better insight into which promot encourage improved brand loyalty, and increase wallet share with these customers." [ECT](#)



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Retailers have bought into the CRM concept, but they're not fully implementing their CRM systems. Those who take advantage of customer data co customer engagement tools, and the use of technologies to measure the effectiveness of marketing, will be ahead of the game -- as will the techn market.

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