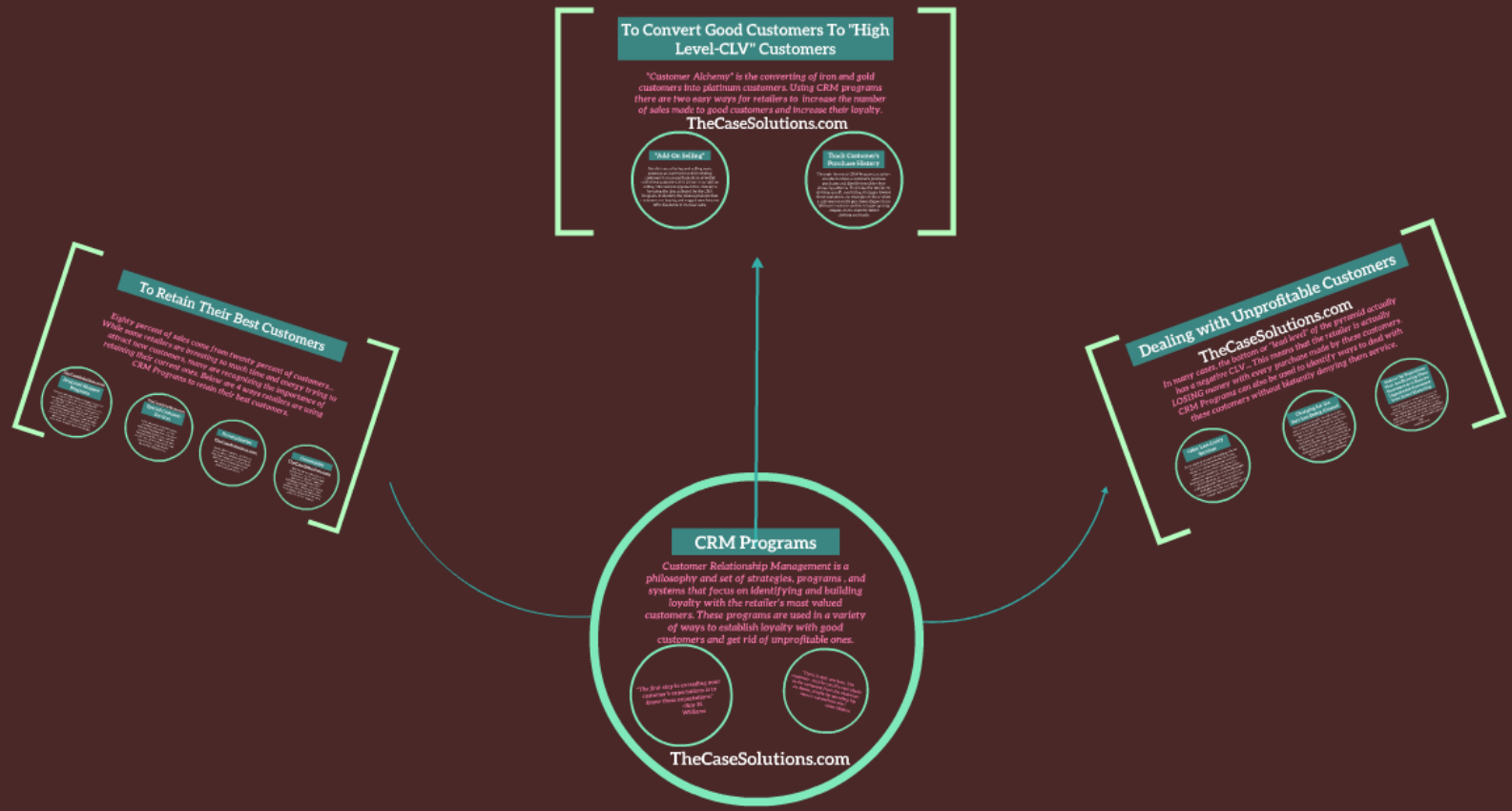


Unprofitable Customers and Their Management

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Based on Jim Harvey's speech structures



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CRM Programs

Customer Relationship Management is a philosophy and set of strategies, programs, and systems that focus on identifying and building loyalty with the retailer's most valued customers. These programs are used in a variety of ways to establish loyalty with good customers and get rid of unprofitable ones.

*"The first step in exceeding your customer's expectations is to know those expectations."
~Roy H. Williams*

*"There is only one boss. The customer. And he can fire everybody in the company from the chairman on down, simply by spending his money somewhere else."
~Sam Walton*

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Frequent Shopper Programs

Retailers are using Frequent Shopper Programs to both build a customer database by identifying customers by their purchase history and loyalty and then use this information to encourage future purchases through discounts and reward programs. Offering a variety of rewards (as not all customers value the same rewards) as well as using tiers (the larger the purchase-the larger the reward), are some ways to build customer's loyalty.

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Special Customer Services

Some companies will offer above and beyond customer service experience to their best customer's to establish loyalty. For example Nordstrom holds complementary, invite-only, private parties to their top customers to view new, upcoming clothing lines.

Personalization

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Using CRM Programs, retailers are able to access personal data about their best customers- and can then offer unique benefits and target messages or promotions to individual customers.

Community

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With the use of CRM Programs, retailers can use data about their customers to identify common interests and then use that information to form a "retail brand community". This creates a bond between customers and often leaves them feeling obliged to attract new customers to the company.

To Convert Good Customers To "High Level-CLV" Customers

"Customer Alchemy" is the converting of iron and gold customers into platinum customers. Using CRM programs there are two easy ways for retailers to increase the number of sales made to good customers and increase their loyalty.

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"Add-On Selling"

Retailers are offering and selling more products and services to their existing customers to increase their share of wallet with these customers, this is known as "add-on selling." One way to approach this strategy is by using the data collected by the CRM Program, to identify the related products that customers are buying and suggest purchases or offer discounts to increase sales.

Track Customer's Purchase History

Through the use of CRM Programs, retailers are able to view a customer's previous purchases and identify trends in their shopping patterns. This helps the retailer to develop specific marketing strategies toward these customers. An example of this is when a customer recently purchases diapers from Walmart's website and then begins getting coupons in the mail for infant clothing and foods.



Dealing with Unprofitable Customers

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In many cases, the bottom or "lead level" of the pyramid actually has a negative CLV... This means that the retailer is actually LOSING money with every purchase made by these customers. CRM Programs can also be used to identify ways to deal with these customers without blatantly denying them service.

Offer Less Costly Services

An example of retailers attempting to lower the cost of the services that are being abused are automated phone systems. It costs a company much less money to support an automated answering system than to pay representatives to handle simple calls like checking account balances or making payments. Some companies have even gone so far as having phone transaction fees to have a representative handle such transactions.

Charging for the Services Being Abused

One of the most largely abused services is store's returns policies. Customers have been known to buy products in bulk for a discount and then return what was not needed. Electronic stores often have problems with customers purchasing HD TVs before the super bowl for the game and then returning them. For this reason, retailers are now developing "restock" fees on large returns and tracking returns to be able to identify the "repeat offenders."

Reduce the Promotions That Are Drawing These Unprofitable Customers In & Remove Unprofitable Customers from Direct Marketing

The hardest part for a retailer is to turn off unprofitable customers without losing the good ones. By reducing the type of promotions that tend to draw these customers in, and limiting their direct marketing to the profitable customers... Retailers can reduce the number of unprofitable customers with minimal effects to their profitable ones.