

# R.J. Calio Consulting, LLC.

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Retail Systems Consultant

## **Exploit your greatest asset, your customers!**

The intent of this article is to show the benefits that retailers can achieve by gaining greater insight into their customers. I am using the positive meaning of “Exploit”, to make use of: to utilize. Relevant customer information and purchase history, along with inventory sales history are the gold nuggets of Point of Sale Systems.

The whole concept of “Customer Loyalty” has become a major topic with independent retailers. The competition for customers with the Big Box stores has become fierce. Stores can no longer ignore that fact that their competitors are aggressively wooing their customers with creative programs. The reality is that customers are influenced by loyalty programs that reward them and recognize them as “good customers”

The good news is that most POS systems now have the capability to collect customer purchase data, which is a good first step toward building a true loyalty program. If you are currently collecting customer purchase data, then your goal is determine how to best use that data. If you are not collecting data then your challenge is design a program that will induce customers to participate in your loyalty program. Once you have collected customer purchase history your next challenge is to how to maximize the use of that data. Customers will only join a Rewards Program if it is clear what the benefits are to them A true loyalty program is more than just rewards, it is a well thought out program designed to utilize customer history, and allow you to market to those customers more intelligently. Why should you care? The quality of your customer relationships will drive the value of your business. The fact is if your not paying attention to your customers, your competition is. This is an at will relationship, the duration is determined by your customer.

### Customer Duration

One of gurus of customer loyalty is Frederick Reichheld. In his book *The Loyalty Effect*, Reichheld claims that the average retail store loses 30% of their customers every year. They move, they die, they don't need your product anymore or you lost them to a competitor. The stark reality is that if you are good at attracting new customers you will need to replace 30% of your customers every year just to stay even. If you can maintain your acquisition rate of new customers and increase your customer retention by 5% you will double your customer base in fourteen years.

### The Payoff of Loyal Customers

- A customer's value increases over time:
- You lower your acquisition cost of new customers
- A customer's spending accelerates in your store over time
- Loyal customers help give you product certainty
- Since they are loyal to your “Brand” they refer customers like themselves
- They are less price sensitive
- A strong base of satisfied customers

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## What you need to make it happen

- Develop a well thought out marketing plan
- Have relevant & actionable data analysis about your customers
- Get a deeper understanding of the characteristics of your loyal customers
- Leverage your customer data to increase your average ring and create another visit

## Execution:

The first step is a thorough assessment process to determine the following information

- Determine you goals and objectives and prioritize them
- Establish a budget to successfully achieve your goals
- Identify “MIA” customers and send them a “We miss you promotion”
- Send them offers that are relevant to their product purchases
- Identify opportunity gaps to up sell and cross sell customers into departments and products they have purchased in the past.
- Identify “at risk” customers who you are about to lose.
- Always allow your customers to “opt in” or “opt out of the program

## Goals

- Drive sales and increase profits
- Increase customer retention
- Increase your average sale
- Wow your best customers

Most retailers pay lip service to the importance of customers. More time and effort is spent on lost inventory than on lost customers. When you consider the lifetime annuity value of a good customer it far exceeds the value of a high priced lost inventory item. Progressive retailers are creating more value for their customers beyond price and convenience. Pay attention to your customers or your competition will.

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