

Why Are They Doing That? Customer-Centric Retailers Ask Deeper Questions – and Get Better Answers

by Brian Ross, General Manager, Precima, Inc.

The ongoing revolution in sophisticated, customer-focused analytics has sparked a dramatic paradigm shift in the retail landscape. Faced with steadily increasing competitive pressures – and recognizing that the battle for valuable customers cannot be won on price alone – forward-looking organizations are moving decisively from traditional market-driven strategies to a new era of data-driven customer-centric retailing.

Of course smart retailers have always paid attention to their customers. What they lacked, though, was a way of inferring all they wanted to know about people's shopping habits, product preferences and aspirations. To gain those kinds of insights, you need two things. The first, obviously, is information – and for most retailers today, this is the easy part. As long as you have a loyalty program or any kind of mechanism for identifying your customers, you have a wealth of personalized transactional data in your systems.

The trickier part is being able to access that data to draw meaningful conclusions – and this is where the latest advances in analytics intersect with the practical world of commerce. Using sophisticated segmentation modeling and overlays of publicly available data, as well as in-depth market research, you can gain an unprecedented degree of insight into who your customers are, what's important to them and why they choose to go to your store. And, equally important, why they may be shopping elsewhere for some of the items you offer.

The key point here is that we're not just looking at what shoppers do, but why they're doing it. And with that deceptively simple evolution – from *what* to *why* – the scope quickly expands beyond marketing programs and tactics to take in all aspects of a retailer's business, from merchandising to store design to long-term planning. Because customer-centricity is, by definition, a strategy for the entire enterprise. As retailers see the valuable insights that can be derived from their data, they start asking bigger questions: Who are my most valuable customers? In what categories am I gaining or losing share, and why? From there it's a natural progression to having the customer perspective drive all strategic decisions – and measures of success – across the organization.

In customer-centric retailing, rather than reacting to what your competitors across the road do, or what's happening generally in the marketplace, you can hone right in on those existing customers who represent the greatest source of potential revenue. What products do they care about? Are they price-sensitive in a particular category? What promotions do they respond to? What motivates them to shop – by trip and by category? In short, why are they making the choices they're making?

You can then shape broader strategic goals, such as where you want to retain or grow sales, confident that you have a solid grasp of what your best customers need and expect. Indeed, your strategies become so specific to your customers, based on insights that can't easily be

replicated, that you gain the further advantage of being somewhat insulated from competitive pressures. You also introduce an element of stealth into your marketing; you can fly under the radar in launching new programs, or in deciding when you should lower prices and when you can afford to maintain market-based pricing.

As with all changes in organizational priorities, the resolve to embrace customer-centricity has to come from the top. If you're introducing a game-changing strategy, there must be commitment from senior management and a shared vision of how this new way of doing retail will translate into competitive advantage and increased profitability. The compelling case studies from customer-centric retailers around the globe will quickly build support in the boardroom. But what really wins over people on the management front lines – who in turn give a customer-centric initiative momentum across the organization – is demonstrating how you can paint highly detailed pictures of individual consumers by tracking how they shop. When marketing and merchandising budgets are lean, it's invaluable to have this level of insight – so you can invest in strategies that accurately reflect customers' true worth today and, even more important, their value down the road.

In asking why people shop the way they shop, you realign your value proposition around a subset of core customers who have the potential to deliver the greatest return to the entire enterprise. Instead of seeing what all shoppers do and reacting accordingly, you identify your best prospects, determine what motivates them, and deliver against that. You focus the whole organization on it. You even design stores around it. With the ultimate goal of inspiring those customers to ask a *why* question of their own: *Why would we ever shop anywhere else?*

About the Author:

Brian Ross is General Manager of Precima, Inc., an advanced analytics firm that translates retail customer data into critical insights to better align marketing, merchandising and operations strategies with shopper needs. He can be reached at bross@precima.com.