Creating An Holistic Customer Climate

Shifting Your Corporate Focus From A Product And Process Orientation To A Culture Which Drives Customer Needs To The Core

by Brian Woolf (February 25, 1997)

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Introduction

Retailing is in the middle of a revolution! A revolution caused by the power of information. We don't know where or when it will end. But we do know that it is radically changing the way we think and act as businessmen and women.

Bill Gates, in his recent book The Road Ahead, describes an earlier time when the force of a new invention had a dramatic impact on society (and business). Gates reminds us that when Johann Gutenberg introduced in 1450 the first printing press to Europe, there were, at that time, only about 30,000 books in all of Europe, most of which were hand-copied Bibles. And just fifty years later, Europe had over 9 million books, on all sorts of subjects! One invention—movable type—had created an explosion, both in literacy and knowledge. And we know that those who became literate—those who could use information—gained a decided advantage over those who did not.

A similar revolution is occurring today. Computer literacy is now becoming essential for business success. For example, in retailing, computers have allowed us over the past 20 years to materially improve the productivity of such critical areas as labor, inventory, warehousing and distribution.

The most exciting development for retailers, however, has emerged only in the past few years. We have developed a simple, cost-effective way to capture customer data. This is extremely significant because customers comprise the last great, unexplored continent of retailing! And, like the early explorers of Africa, there are great gains to be made as we explore our customer databases and unearth priceless gems of insight and understanding.

The race for these gems is why, today, we are witnessing a global explosion in frequent shopper cards and loyalty programs. There is, in effect, an information arms race. Retailers want to gain a competitive advantage through the rich customer comprehension such programs yield.

One major consequence of this customer knowledge explosion (and the immense computer power that provides it) is the death of mass marketing and the emergence of customer specific marketing. With customer information, we are now able to make different economic and egonomic offers to different customers based upon their differing values to us.

This is transforming both our customer relationships and the way businesses are organized to optimize these relationships. Leaders in loyalty marketing are now beginning to realize that their businesses must shift from a product and process orientation to a culture that drives customer needs to the core. For example, it means that food retailers stop thinking in terms of share of stomach and start thinking in terms of share of wallet. In the UK, early signs of this have already appeared with the recent announcements from the three largest food retailers to add banking to their supermarket offering. Other allied inroads to the customer wallets of these major retailers will undoubtedly follow.

For years, we in business have professed that we were customer centered. Yet, because we had such poor customer measurement tools, we couldn't quantify how well (or poorly!) we were doing. Now we can. At last, retailers can measure:

- When our customers join us
- Who they are
- How often they visit us
- When they defect
- How much they spend
- What offers they respond to
- What their profitability is, both today and over the life of their relationship with us

Just think, five years ago, most retailers thought that knowing such things was pie-in-the-sky. Today, they are hard-core reality for many retailers around the world.

Peter Drucker and Ted Levitt have both suggested that the purpose of a business is to create and keep customers. Now that we can cost-effectively measure this fundamental goal, it follows that:

i) Customers, not products, must become our primary mission and provide the core objectives of the whole company
ii) Our departmental organization must be restructured to actualize our corporate strategy
iii) We must build and maintain an accurate profile of our customers, their needs, and behaviors
iv) To maintain an on-going, relationship-building dialogue with our customers, we must harness our interactive communications with them

I shall address each issue in turn.

I) Customers, not products, must become our primary mission and provide the core objectives of the whole company

Feargal Quinn, the founder of Ireland's Superquinn chain, has instilled in his whole team the idea of the boomerang principle—getting the customer to return. Their focus is not to maximize the size of each individual transaction, but to insure that each customer's shopping experience makes them want to return to Superquinn. And with their loyalty program—one of the world's best—they are now able to measure how successful they really are.

Note that their focus is on getting the customer to return—not on selling more products—because they realize that customers are the primary driver of business success.

The history of any business is shaped by what it can, and does, measure. Because most retailers over the past forty years have been able to measure only their product movement they developed product-based organization structures.

Not too many years ago, suppliers told the retailer his product movement because suppliers had a cost-effective, product movement tracking system in place. It was only with the advent of scanning in the mid 1970's that retailers could begin to readily measure both what they were buying and what they were selling. This development, in turn, created the platform for the subsequent development of what is widely known today as Product Category Management. Even though the focus was still on products, this was still our best proxy for focusing on the customer. We offered weekly specials in the belief that if customers came to our stores six weeks in a row to buy our specials, they would convert into being good, regular customers. We believed that the practice of offering weekly specials increased our product sales and transaction count and, therefore, our loyal customer base. Alas, we now find that our deeply held belief was a myth! With customer information, we now find that many of those we attracted defected within 12 months. We were simply adding to the churn and turn of our shoppers. We were rewarding customer promiscuity rather than customer loyalty.

The great advances in technology over the past three years have allowed us to measure real customer behavior—and our findings are triggering significant changes in our business priorities because now we can focus on directly rewarding the customer behavior we seek—ie, regular, high spending customer visits—rather than rewarding this behavior, both blindly and indirectly, as in the past, through our item/price focus.

Ten major implications of this transition from product-based to customer-centered marketing are already evident among the world's leading loyalty-based retailers. They are Retailing in Transition…

	From…	**To…**
1.	One Price Fits All	Customer Specific Pricing
2.	Store Zone Pricing	Customer Zone Pricing
3.	Transaction Marketing	Relationship Marketing
4.	Conquest Marketing	Retention Marketing
5.	Inducement Economics	Reward Economics
6.	Direct Product Profitability	Direct Customer Profitability
7.	Same Store Sales	Same Household Sales
8.	Budgeting Sales	Budgeting Customers
9.	Product Category Management	Customer Category Management
10.	Logistics Excellence	Customer Excellence

1) From One-Price-Fits-All to Customer Specific Pricing
Armed with a customer database, retailers have quickly discovered that offering the same price to all customers is grossly inefficient—and competitively vulnerable. By varying their prices in proportion to the economic value of each customer segment, many retailers have been able to increase their gross profit percentage by at least 1.0% in their first two years of Customer Specific Pricing. The economic gains from such differentiated marketing are such that retailers will never return to the old one-price-fits-all strategy.

2) From Store Zone Pricing to Customer Zone Pricing
The common practice of Store Zone Pricing has been turned 90 degrees and replaced by Customer Zone Pricing. Instead of charging different prices in different stores, loyalty retailers are now charging different prices to different customers within the same store. It's the same logic as Store Zone Pricing, but using a different differentiation axis. In other words, instead of letting the location of each store dictate their pricing level, they are letting the economic value of the customers do this.

3) From Transaction Marketing to Relationship Marketing
In the decades before we retailers could capture customer data, we focused on increasing the size of our average transaction—because that's how we could simply measure the results of our

efforts. The problem, of course, was that we had no idea which customers yielded us profitable and unprofitable relationships. I've found among US food retailers, for example, that the top 20% of customers spend an average of $47,000 over their 17+ year relationship, while the bottom 20% spend less than $100 in their brief 1-2 year relationship. This huge disparity added to the urgency of moving from blind Transaction Marketing to information-based Relationship Marketing where the economic and egonomic offers are based upon the returns over the life of the relationship.

4) From Conquest Marketing to Retention Marketing
Without customer quantification, our marketing efforts were top line driven. Increase your store traffic and increased sales would follow. Our hope was that the additional sales would be profitable. For many years, we were like hunters—always hunting for more foot traffic. But when our customer databases started showing us that we could significantly increase our bottom line by redirecting monies previously aimed at new foot traffic to our existing customer base, we moved from a hunter's mentality to that of a farmer—we began focus on increasing the yield from what we already had.

5) From Inducement Economics to Reward Economics
Traditional marketing practices have been characterized by retailers offering low prices to induce new (and existing) customers to come and spend. Now, our focus is radically different. Loyalty retailers are rewarding their better customers with better prices—but the rewards are based upon their past shopping history. This approach, we have discovered, has resulted in higher sales and profits from these customers, a much more attractive marketing approach in this era of low population growth, an aging population, and the continued escalation in retail selling space.

6) From Direct Product Profitability to Direct Customer Profitability
The late 1980's were known for its Direct Product Profitability(DPP) mindset which applied Activity Based Costing to product selling. Armed with the new knowledge we gained, we began making more profitable marketing decisions. After all, why try to sell more of an item that lost us more money with each additional item sold? Now, in the late 1990's, we've moved to a higher plane. We're now integrating item profitability with individual customer data to yield the Direct Customer Profitability (DCP) of our individual customers. This, of course, allows us to adjust our offers in proportion to our customer profits—the ideal economic basis—rather than basing them on customer sales.

7) From Same Store Sales to Same Household Sales
Traditionally, retailers have focused on Same Store Sales(SSS) as one of the primary indicators of success. This broad measure is now being replaced with a narrower, but more valuable, measure—Same Household Sales(SHS). This is a better measure because it tells us how many customer households we have been successful in retaining and what success we have had in

changing customer spending from year to year. It goes below the surface of same store sales to measure the changes in customer behavior from year to year.

8) From Budgeting Sales to Budgeting Customers
For as long as I can remember, every year most companies have gone through a long and, usually, frustrating ritual budgeting their sales for the following year. After lots of paperwork and arguments the result usually finish up as "last year plus 5%." But now we can go to the source of our sales—our customers. We can now ask ourselves:

- How many of our $100+ per week customers are we planning to retain next year?
- What do we plan their weekly spending to be next year?
- Are we planning to reward them for increasing their spending?
- What is our recovery plan if these specific customers start varying from budget?

Similarly, we can ask questions of other spending levels. And then we can measure each segment's performance and take appropriate corrective action for each segment as necessary.

9) From Product Category Management to Customer Category Management
Over the past decade, retailers have introduced Product Category Management to increase their profit yield from like groups of products. Now, retailers are applying the same methodology to like groups of customers. We call this profit management of our customer segments Customer Category Management. Each customer segment has a separate Profit and Loss Account in the same way that product departments do today. Promotional and markdown monies are allocated to each customer segment based upon the projected return from each segment. The retailer now focuses on improving the profitability of each customer segment rather than each product segment.

10) From Logistics Excellence to Customer Excellence
The last forty years have witnessed a continuing battle for comparative advantage among retailers. We have seen tremendous advances in labor scheduling, site selection, inventory management, and warehouse efficiencies. In short, we have excelled in the logistics of retailing—simply because we were able to quantify the improvements in these critical logistical areas. However, now that we can quantify our customers, the race for comparative advantage will continue—but our new focus will be on customer productivity and on customer excellence. As a result, over the coming decade we will see significant gains in customer yields as we apply the same attention and disciplines to customers and we have in the past to, say, employee productivity.

These ten changes are already in motion and, as you would expect, those retailers with vision—and a good database!—are much further along the transition path. They harbor no doubts that customers are now their primary mission and provide the core objectives of their whole company.

II) Our departmental organization must be restructured to actualize our corporate strategy

One of the early lessons drummed into my head at business school was the logical sequence of Strategy, Structure, and People. You devised your strategy, built the best organization structure to drive that strategy, and then you filled the structure with the most appropriate people.

We should follow the same thought process as we customize our businesses. Our new strategic focus is on our customers, rather than our products. Given this change, our next step must be to make the appropriate changes in our organizational structures to achieve these new customer-centered objectives.

Frankly, these internal departmental changes are usually the most difficult part in the transition from being product- and process-focused to a customer centered culture.

We all know that the management of change is not an easy task. For best results, change should start—preferably with passion!—at the very top of an organization. I can cite many examples from around the world where a new loyalty program has limped along at best—or completely failed, at worst!—because the top executive did not champion the change. There should be no illusion amongst retailers that moving to Customer Specific Marketing is a fundamental change in corporate strategy. It's not an appendage to our existing strategy—it's a replacement of our existing strategy. It must not be taken lightly.

It's probably no surprise to you that, so far, smaller companies are having greater success with loyalty marketing programs than larger companies because their Chief Executive is closer to both his customers and his employees (and his business generally), and has immersed himself more deeply with all of the ramifications of this change.

In large companies, it's not uncommon to see the Chief Executive delegating this whole strategic change to his Vice Presidents and remaining semi-aloof from the process. The Vice Presidents, fighting their usual turf wars, often emerge with compromise decisions rather than the best customer-centered decisions, with the result that the clarity of their goals and the effectiveness of their execution are inferior to those of their smaller competitors.

Even where the Chief Executive is championing the change, there will always be corporate agnostics and non-believers in this new way of going to market. What Machiavelli described in The Prince 500 years ago is also true along the corporate corridors of today:

The reformer has enemies in all those who profit by the old order, and only lukewarm defenders in all those who would profit by the new order, this lukewarmedness arising purely from fear of their adversaries, who have the laws in their favor; and partly from the incredulity of mankind, who do not truly believe in anything new until they have had actual experience of it.

I will never forget how one executive of a large food retailer described the first three years of their merchandisers, suppliers and store employees to really get “the program.” The company experienced the following:

- **First Year**
  Open resistance from merchandisers, suppliers and store employees who did not fully understand the program. (Note that top management’s support was absolutely vital during that first year.)

- **Second Year**
  This was the year of quiet sabotage. The non-believers work behind the scenes to kill the program.

- **Third Year**
  Acceptance - at last! By now there was enough proof for everyone to get behind the program. The merchandisers, after several years of resistance, started talking to suppliers about “their program.” After three years of resistance they were now claiming to be the program’s proud parents!

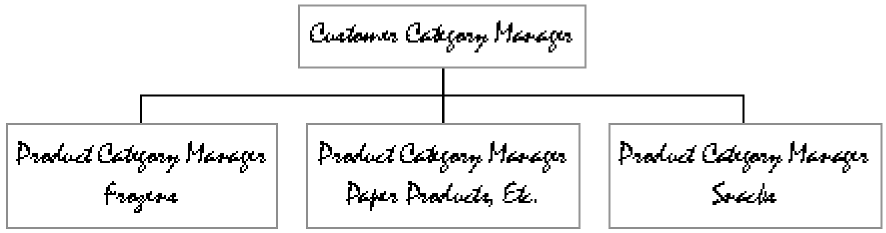
Most companies moving from product-based to customer-based marketing will go through some combination of overt and covert resistance—both to the concept of different prices to different customers and to the organizational changes that are required to effect this 90-degree change.

One major change that still lies ahead of most retailers is a shift in the thought process of our merchandisers and buyers, from a Product Category Management- to a Customer Category Management-focus. We have trained these executives to optimize the yield from a given cubic footage of shelf space using one price for all customers—but without any knowledge of which customers are buying their products or what the behavioral sensitivities these customers have regarding different price offers on different products.

But now, with customer-centered marketing, we are focusing on optimizing the yield from our customers rather than our products—a fundamental shift. We are focusing on our Gold, Silver and Bronze customers—those spending, say, over $60 a week, between $20 and $60 a week, and under $20 a week, respectively. This means that instead of offering an item at one price for all three classes of customers, we now may have four different prices for the same item, offered at the same time!

In addition, different offers can be targeted to customers based upon their past purchase history and not just the size of the current transaction.

This new strategic approach means that we need to have someone responsible for marketing to each group with the goal of optimizing their profitability of each customer category as opposed to our traditional goal of optimizing our product category profitability. The following diagram illustrates how we need to restructure to accomplish this:



As you can imagine, a greater level of complexity and greater profit opportunity has just been added to our merchandising departments. And, as if this is not enough to create resistance, an even greater schism in retail marketing has emerged which some of the old time merchandisers consider, at least initially, heretical. This Great Schism is about marketing rewards.

Consider this. If we retailers desire regular high spending customers, then why don't we reward such behavior directly by rewarding total spending rather than attempting to achieve the same result indirectly by devoting all of our efforts to item/price promotions?

We have found that rewarding our customers' total spending produces excellent results. (Some examples of such rewards include points programs here in Europe and free Thanksgiving turkey programs in the United States.)

The challenge retailers now face is finding the right balance between these two approaches—the Great Schism of marketing—between spending rewards and item purchase rewards. As more resources are moved toward spending rewards—at the expense of mark-downs on individual items—anxiety is further created among the product category managers.

In addition, the question is raised, who is responsible for the cost of the spending rewards? Obviously, it can only be the Customer Category Manager who is responsible for both the cost of the spending rewards and the item markdowns of his customer segment.

This transition is still in its infancy and it may be another decade before we see Customer Category Managers as the norm in our merchandising structures. But it will come—despite the resistance and foot-dragging from the traditionalists.

As you can imagine from what's been said this morning, it is in the merchandising department that the major departmental realignment occurs. However, change will occur in every department throughout the whole organization.

For example:

I.T. has traditionally focused on longer-term production issues. Now I.T. has to adapt to the needs of the “I need it - and must have it—now!”—mentality of a Customer Category Manager. The Marketing Department can’t wait 12-18 months for their ever-changing needs to be programmed by I.T. They, therefore, typically have their own database and query tools.

The Human Resources Department is also affected in that it is responsible for the explanation and training of the program to each new employee as well as issuing a loyalty card to each new employee.

The Finance Department must learn the new metrics of customer marketing and apply the same rigorous analysis to customer activity as it does to every other part of the business and then incorporate these new on-going measures in its monthly management reports.

The Internal Audit Department has to embrace a significant new area of responsibility—insuring that the company’s customer privacy, both external and internal, is protected according to company policy.

The Customer Research Department has to change its mindset from demographics to buyer-graphics. Customers, and potential customers, are now viewed in economic terms. Research now becomes significantly more valuable because we now can weight the answers to customer questions based upon their actual spending and shopping behavior.

And Operations are impacted because the old adage that ”the customer is always right” is now shaded in that some customers will be more right than others. Store policies will be bent much less for complaining cherry pickers than for complaints from best customers. All customers will continue to be treated equally courteously, even though the economic and egonomic rewards will vary. Store employees handling customer complaints, for example, will have to manage the subtleties of these changes.

Two obvious steps will help in the transition to these new organizational requirements:

1) A constant “selling” of the rationale of differentiated marketing to all employees, and
2) Changing the employee reward structure to recognize improved customer retention which, after all, is the single measure that reflects the success of our total customer package—price, location, cleanliness, variety, and service.

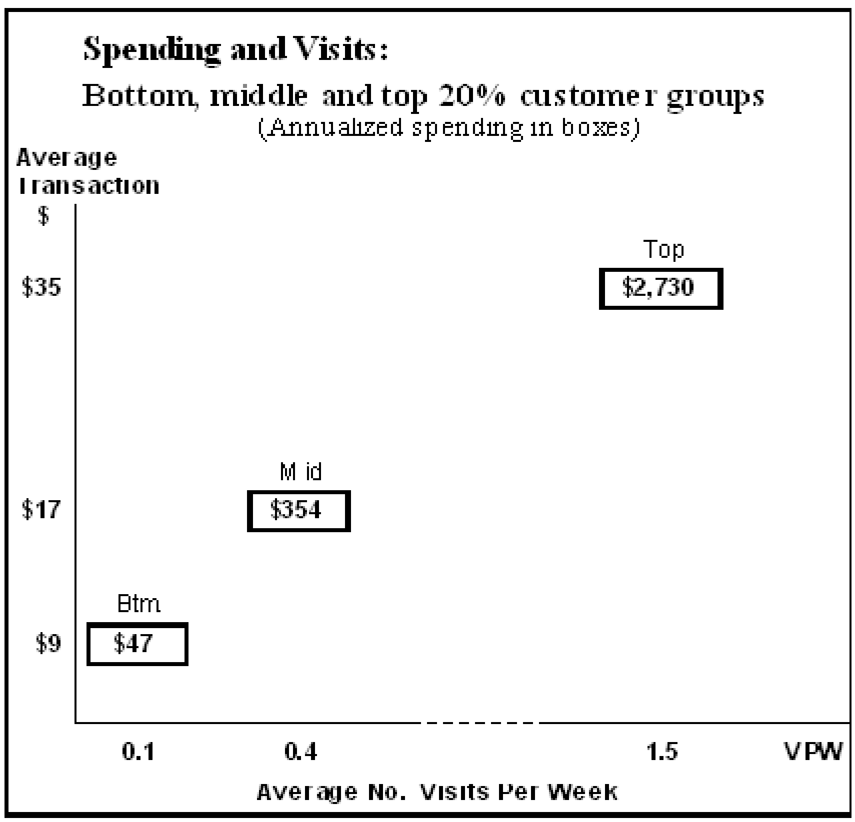
The great advance for retailers is that we can now measure our customer loyalty for the first time in our business lives.

III) We must build and maintain an accurate profile of our customers, their needs, and behaviors

Because of its direct impact on your company's future, accurate customer records are even more important than current inventory records.

Customer spending patterns vary radically. In food retailing in the United States, the following pattern has appeared everywhere I have been over the past three years.

As seen in the following chart, the top 20% of a store's customers spend, on average, about $52 a week (1.5 visits per week times $35 per visit) over the course of a year. The middle 20% of the customers spend about $7.00 a week and the bottom 20% spend just under $1 a week! In other words, over any 12 month period, the top 20% of the customers spend 50 times the amount of the bottom 20%!



Another common statistic that reinforces this disparity is the top 30% of a food retailer's customers provide 75% of the sales while the bottom 30% provide only 3% of the sales!

We have also found that the top 20% of a food retailer's customers have a gross profit percentage 5-10% higher than that of the bottom 20%!

Customers are definitely not equal and, as retailers, we have found that marketing to these inequalities reaps superior rewards.

Two basic measures we use to understand these inequalities are:

1. The percentage of transactions and sales captured by the retailer. (Current best practices put these numbers at over 60% and 80%, respectively).

2. Annual customer retention rates.

Beyond that, many reports have been developed by retailers to delve into the last great unexplored continent of retailing, such as the:

- Quo Vadis Retention Report

- Recency, Frequency, Spending (RFS9) Report

As these two reports show, they are a long way removed from the traditional departmental profit and loss accounts of retailers in that they are customer-centered and are focused on the dynamics of unique customer segments.

In addition, with a customer-centered view of the world, retailers are now beginning to look at profit improvement in a radically different way to that of just five years ago. The questions leading retailers are now asking include how can we:

1) Add more new profitable customers?

2) Add fewer new unprofitable customers?

3) Lose fewer existing profitable customers?

4) Increase the conversion rate of unprofitable customers to profitability (or speed up their defection rates)?

5) Increase the profitability of all profitable customers?

In my mind, the great opportunity from answering those questions lies in a much deeper understanding of our customers' behavior. We can now quantify and make projections of likely future behavior based upon customers' past behavior.

As you can imagine, the demands for computer resources, intellect and common sense will be very high as we embark upon this quest for understanding what motivates our different customer segments. There is enough work in this area alone to keep us busy for the next ten years!

Quo Vadis Retention Report For 12 w/e June 20

LY Min. SPW ...		$31.87	$6.44	$0.01		
LY		Gold	Silver	Bronze	Defections	Totals
20%	Gold	74%	20%	2%	4%	100%
40%	Silver	10%	56%	17%	17%	100%
40%	Bronze	1%	15%	30%	54%	100%
	Totals TY	19%	32%	19%	30%	100%

RFS © [60/40] Per 10,000 Customers ZAK Stores

Olympic Scale: Top 60% = 1, Bottom 40% = 2

Includes Associates Cards

*Inactive = no visits to stores in last 12 weeks (M) 24 Weeks ending 31 Mar

		(A)	(B)	(C)	(D)	(E)-GWM	(F)	(G)	(H)	(I)	(J)	(K)	(L)
Ln. #	Cell Descriptions	# Cust. in Cell	# New Cust.	# of Visits (# Trans.)	Recency # Days	Frequency AVPW	Spending ($) Avg. Visit	Spend PW	Total ($K)	% of Cust.	% of New Cust.	% of Trans.	% of Tot. Sales
1	R1 F1 S1	4,060	246	124,723	2.4	1.28	25.22	32.28	3,146	40.6	14.3	75.3	76.0
2	R1 F1 S2	460	77	7,726	2.5	0.70	9.38	6.32	76	4.6	4.5	4.7	1.8
3	R1 F2 S1	290	64	1,740	2.8	0.25	40.22	10.06	70	2.9	3.7	1.1	1.7
4	R1 F2 S2	720	306	2,765	2.6	0.16	21.34	3.41	59	7.2	17.8	1.7	1.4
5	R2 F1 S1	760	48	12,350	10.3	0.71	30.37	21.32	400	7.6	2.8	7.8	9.7
6	R2 F1 S2	250	28	3,120	14.6	0.52	11.51	5.39	36	2.5	1.6	1.9	0.9
7	R2 F2 S1	410	48	2,165	14.3	0.22	46.78	10.29	101	4.1	2.8	1.3	2.4
8	R2 F2 S2	2,250	709	5,940	42.3	0.11	22.39	2.52	136	22.5	41.2	3.6	3.3
9	*Inactive	800	194	4,416	129.1	0.23	25.53	5.39	113	8.0	11.3	2.7	2.7
	Totals	10,000	1,720	165,547	22.9	0.64	24.39	15.31	4,137	100.0%	100.0%	100.0%	100.0%

IV) To maintain an on-going, relationship-building dialogue with our customers, we must harness our interactive communications with them

It is ironic that cold, impersonal technology is allowing us to develop and strengthen warm relationships with our customers on a one-to-one basis. The key, of course, is knowing who our customers are, which our new technology now provides.

Obviously, we will not be able to have a "relationship" with all of our customers. However, we will want to develop one with the top 30% of our customers who provide 75% of our sales. In fact, our whole marketing strategy will be built around this top 30%.

Just as Southwest Airlines in the United States involves their best customers in their employee selection process, we in retailing will involve our best customers in a dialogue to improve our stores!

One of my favorite examples of involvement is seen at Superquinn in Dublin, where they are constantly reminding their customers to find things wrong with their stores and shopping experiences. For every such "goof" a customer finds, they receive a 100-point voucher to add to their points total. Imagine 200,000 quality control inspectors checking out their stores each week to make it better for both the retailer and their customers.

Other retailers have started involving their customers in the product selection process. One retailer, for example, was introducing a private label salsa. Which should he choose? Rather than asking his buying committee to make the decision, as he had in the past, he went to his database, found which customers were his biggest purchasers of salsa and invited them in to taste the five different flavors—and make the decision!

I see the same thing happening with item selection in the store. Your wine buyers, for example, may be the best in the world in knowing their wines. But do they know what your customers really want? It makes eminent sense for buyers to invite in their best wine customers on a regular basis and ask them what wines they are buying elsewhere that they cannot get in your stores—then stock them. After all, if we wish to have a customer-centered business, we must stock what our customers want, not what we think they need or want.

Building relationships with our customers will take many forms—from face to face meetings and telephone calls to interactive kiosks in our stores and, long term, via the Internet.

Our front-end systems will become much more interactive. Green Hills Farms, an independently operated store in Syracuse, New York, has a customer front-end system that not only greets each customer by name, but tastefully indicates whether the customer is a Diamond, Ruby or Pearl customer (for its different reward levels). The cashier also knows, from her screen, the status of each customer and what privileges come with that status. Some customers, for example, can cash a check for $300 over the amount of their purchase; others for only $50. A customer shopping on her birthday, provided the information is in the database, can be greeted with "Happy Birthday—we have a small gift for you today!"

Man is an economic animal in search of self importance. Retailing has traditionally focused on the economic side of man's needs because that was the only information we had to work with. Now, with customer knowledge, we can climb some steps up the differentiation ladder by focusing on our customer's egonomic side. Those retailers who can successfully build this aspect of their business with their customers— in reality, their best customers—will become truly differentiated in the market place.

As you get closer to your customers, I raise one caution—beware of the hedgehog effect. You can get too close to your customer and, like hedgehogs, getting too close together has an unpleasant, prickly effect. We need to avoid one problem I recently encountered. Four different calls were made to one customer in a two-week period from different employees of a major US retailer. To the customer, after the second call, the additional calls became annoying despite the company's best intentions. Therefore, contacts with customers will need to be coordinated and managed, like all other aspects of our business.

Closing Thoughts

The ability to capture, analyze and apply customer information is the last piece of the retail jigsaw that we have been seeking for a long time. It allows us to move to a completely new level of retailing—and a new level of competition. We will, at long last, become information-based retailers, basing significantly more of our decisions on fact rather than hunch—and then measuring the results of those decisions.

Now sit back for a moment and try to imagine how this fast-moving change to information-based retailing will accelerate—rather than slow down—as computing power and speed increases. In a recent issue of Fortune magazine, Andy Grove, the CEO of Intel, said that in the year 2011—a mere 14 years away—Intel's chips will pack a billion transistors, up from today's 5.5 million!! And today's top clock speed of 200 megahertz will soar to 10,000 megahertz!! It boggles the mind to think how retailing will be impacted by this exponential growth in computing power.

Ladies and gentlemen, there is no doubt in my mind that this is the most exciting period in my thirty years of retailing. I sincerely hope that all of you are as excited about the opportunities, challenges and changes that lie ahead as I am!

About the author...

Brian Woolf is a global leader in loyalty marketing and has written three definitive works on the subject, Measured Marketing: A Tool to Shape Food Store Strategy, Customer Specific

Marketing, and Loyalty Marketing: The Second Act. He devotes his time to helping retailers develop, critique and strengthen their loyalty programs.

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Loyalty 360 - customer loyalty news and webinars - *Loyalty360.org*