





Designing a program for a hypothetical Department Store ...

“Anchor Retail”



Comparing Two Major Competitor Programs



You need to lead your cross functional team, including your senior management, and other stakeholders to develop a set of goals



Be sure to consider the following topics (and more):

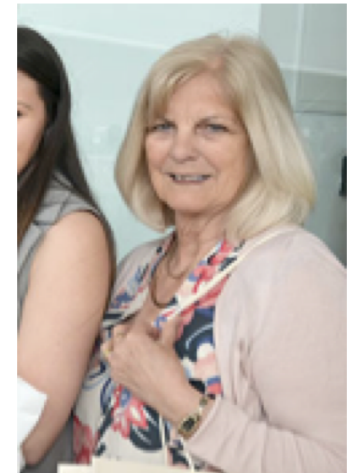
- What are the desired behavior changes from shoppers?
- What key metrics would you like to see change?
- What strategic corporate priorities would you include?



Who should we target for participation in the program?

Be sure to consider:

- how often they visit the mall
- where they shop when they do
- how much they spend annually in mall based retailers
- their annual spend and margin
- their tenure as our customer
- categories shopped in our store
- demographic and psychographic factors that may distinguish them





Consider the following

- Monetary benefits, e.g. \$ off and points/\$ spent. What discount or reward ratio is needed?
- Structured discounts as part of the program or offered as an ad hoc supplemental benefit
- Send unanticipated Rewards
- Use non-monetary benefits like free gift wrap and alterations
- Provide “access” benefits, like front of the line on black Friday
- Use involvement, like personal shopping days or members-only events





As a 1st step, we do qualitative research, conducting focus groups in multiple cities with multiple subsets of customers



- Our market research firm will recruit customers from targeted audiences, e.g. \$500+ annual spend
- The moderator probes reasons for shopping with us and asks about reasons for shopping elsewhere
- Alternative benefits can be discussed with participants, asking them to sort them and explain their sequencing
- Focus groups can both be the source for a nugget of new thinking, e.g. “why don’t you know my name,” or the first pass at gauging reactions
- As a prior ideation step to identify ideas for additional benefits, an e-survey can be sent to a few hundred target customers using an open-ended question to have them describe benefits that they would like
- Interesting open-ended responses can be added to the ideas presented in the focus groups

What makes a successful Customer Engagement program ...



- Establish a direct, **programmatic** relationship with a broad base of consumers
- Focus on maximizing the value of each customer, without unnecessarily escalating the cost of serving your loyalists
- Target the right customer and primarily “reward” incremental spending:
 - Identify “Category Heavy” splitters — identify customers who can be stimulated or defended and motivate share shift at minimum cost
 - Reward the right behavior, e.g. enrollment or incremental spending
 - Avoid traditional “points programs” — 50% of cost is wasted!
- Create an opportunity cost for not remaining an active, regular customer
- Engage customers with personally relevant communications
- Create rewards leverage — offer rewards with high perceived value and low costs
- Use reward alternatives — recognition, involvement, “thank you”
- Before launching, have a plan for evolution and how to stay ahead of competition