



# FINDING LOYALTY IN TILL DATA

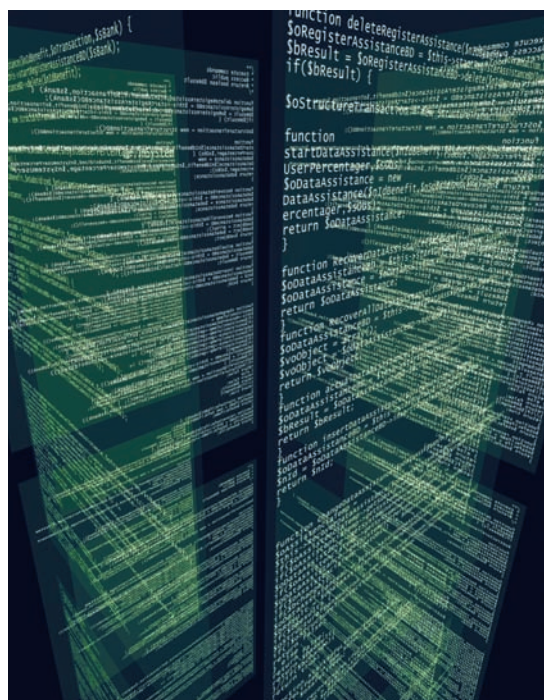
**JENNY WAREING** OF EMNOS  
ON HOW RETAILERS CAN USE  
PURCHASE DATA TO UNDERSTAND  
AND BUILD CUSTOMER LOYALTY

The game is changing for retailers and consumer businesses. In more buoyant economic times, companies invested heavily in mass market advertising and promotional campaigns to entice customers through the door. Today we see the impact of some of the more short-sighted tactical measures: customers have become increasingly price-conscious, savvy in their choices and promiscuous in their shopping behaviour.

Businesses are having to work harder to keep their customers interested. Some are beginning to look more critically at their customer strategies and wonder whether they are wasting their efforts on 'throwaway' customers who are likely to switch away. For a number of years at Emnos we have been noticing a shift in our clients' focus towards maintaining and growing wallet share among their most loyal customers.

'Loyal' customer behaviour is characterised by sustained frequency of visits and repurchase rates over time. This regular pattern of behaviour means loyal customers tend naturally to be worth more to businesses over time. However, the true worth of loyal customers comes as a result of the number of opportunities they afford for a business to engage them with its offer and accrue more value from them.

The rationale for going after loyal customers, then, is not simply because they are worth more to a business today but also because their



dependable behaviour provides a means to protect and grow their value.

## LOYAL TO WHAT?

Since the launch of Tesco Clubcard in 1995 a number of businesses have followed in the retail giant's footsteps with schemes that reward loyal customers with points that can be redeemed for discounts and products as a way to create stickiness around their customer relationships.

But is this 'points mean prizes' approach the only answer to driving customer loyalty? It is certainly

expensive and complex to set up, and there is a sense that what customers are really sticking to is not the company's product and service offering, but the points themselves.

Of course, there's more to it than that: a great benefit of most loyalty card schemes is that they provide a link between individual customers and their purchasing behaviour. By tracking customers' transactions and analysing their purchases, loyalty schemes can enable companies to tap into a rich source of customer insight and target customers with tailored promotions and offers.

For this to be successful, a business has to put customers' needs at the heart of business decisions. Adopting this type of customer-centric approach requires insight to be communicated in a way that can be understood at a high level across the business, but also provides the depth and specificity needed for it to be actionable at a very practical level. This in turn demands a deep understanding of customers, gained from drilling down from a total business level, via categories to the level of individual customers and products. All of a sudden the drivers of customer loyalty become less about points and more about a company's broad customer offer and engagement.

## CUSTOMER LOYALTY WITHOUT THE CARD

But a company doesn't need to splash out on a loyalty card scheme to acquire this deep customer

understanding – in fact, all companies that capture credit and debit card data at point of sale have the potential to create a customer-level view, which is key to unlocking the rich sources of insight crucial to taking a customer-centric approach.

Emnos has an 'enhanced EPOS' technique that allows us to use existing till roll and payment data to achieve many of the insight and subsequent operational benefits of loyalty card data. Data feeds from clients' till logs allow us to see what was bought and when. If the customer paid for their shopping by credit or debit card, the data also contains a unique identifier that allows us to link payment and shopping data and track individual customers' purchases anonymously over time. For many clients the majority of sales value comes through purchases made by card, so coverage of the customer base from an insight perspective is on a par with loyalty card schemes.

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Before we had the ability to do this, clients would typically be relying on store-level sales data, so they knew how much of everything they were selling, but could only guess at how this was divided up between different types of customers, or how the habits, whims and preferences of individual shoppers influenced their behaviour.

Using this customer view, businesses are able to build up a picture of their customers' needs and product preferences. Even though we don't know who the individuals are,

looking at what is in their shopping baskets, particularly certain 'indicator' products, can tell you a lot about their lifestyle, lifestage and need-states. For example, customers purchasing of a lot of premium-priced products are likely to have sophisticated needs and low sensitivity to price, while those buying lots of raw ingredients may be more traditional in their outlook and prefer cooking from scratch.

You can quickly see that companies who understand the interactions of these customer segments with channels, categories and specific products are able to effectively tailor their offer to better meet the needs of their customers.

But which customers' needs are most important? Winning in the loyalty game requires an understanding of how the customer base is segmented in terms of current value and longer term potential. This insight allows businesses to prioritise which customers' needs they should

focus on in developing their propositions. Retailers can start to think differently about how they target their offer and prioritise their investment. This might mean re-balancing product range to meet the needs of priority customers, de-listing lines that have low loyalty or do not meet specific needs, introducing merchandising that targets premium customers, and honing promotions to focus on products that meet the needs of priority customers, while avoiding those that effectively give away the investment.

Altogether this approach provides the basis for clear business direction in developing customer strategies that focus investment on those customers that it is most important to hold on to, and from whom the business will get its best return over time. The building blocks of customer loyalty are not laid in the form of a loyalty card scheme – the foundations exist already inside your till log.

**INSTEAD OF RELYING ON CUSTOMERS' PERCEPTIONS OR OBSERVATIONS TO PROVIDE A PROXY DESCRIPTION OF CUSTOMER BEHAVIOUR, COMPANIES CAN USE DATA-BASED INSIGHT TO FULFIL THIS ROLE**

#### **BRINGING TO LIFE THE CUSTOMER-CENTRIC VISION**

Now imagine that as a business you have exposed the foundations of customer loyalty within your transactional data. What challenges are there to realising your customer-centric vision?

One of the main challenges is getting key stakeholders on board and familiarising them with the new sources of data at their fingertips; getting them to use the insight to inform their day-to-day decision making. Above all, doing this



**JENNY WAREING**  
IS A SENIOR RETAIL CONSULTANT AT EMNOS, WHICH PROVIDES CONSULTING SERVICES TO RETAIL AND CONSUMER BUSINESSES

without creating internal conflict with the custodians and advocates of existing insight sources.

The rich insight from customer data can be applied effectively on its own, giving you a customer perspective on business decisions. However, its power is multiplied in organisations where it is integrated as a complement rather than as a competitor to the business's more familiar insight generation processes.

Instead of relying on customers' perceptions or observations to provide a proxy description for customer behaviour, companies can use data-based insight to fulfil this role. Meanwhile, research-based insight can take on the complementary role of enriching behavioural information with an understanding of the attitudes and cues that drive behaviour. The more closely integrated the two, the more complete the foundation on which businesses can build an offer worth sticking with.