



Thank you. Please come again

How technology can help
retailers keep customers

BY PAUL LIMA

Canada's retail industry is a significant economic engine. Retail facilitates the purchase of 27 per cent of the goods and services sold to consumers, according to Industry Canada. In 2004, Canadian retailers produced \$60 billion or 5.7 per cent of the slightly more than \$1 trillion gross domestic product (GDP), and provided roughly 12 per cent of all employment. There were slightly more than 227,000 retail establishments in Canada in 2004, of which about 42,000 were chain stores (four or more locations under one owner).

But for all this economic activity, any store's overriding challenge is a basic one: to keep the customers it already has. Generating repeat business makes particular sense because it costs anywhere from five to eight times more to gain a new customer than to retain an existing one, according to retail analysts. However, most customers stop using a retailer if service is poor, if they feel under-appreciated or if problems are not solved satisfactorily.

Ironically, most retailers, including chains, do not have customer retention policies in place, and many are not able to

measure customer satisfaction, according to a 2005 Forrester Research survey of large North American companies. While 97 per cent of retail respondents said it was either "critical" or "very important" that they improve customer experiences, only seven per cent of retailers had a dedicated staff person overseeing the customer experience, the lowest percentage of all industries surveyed.

Many retailers say they measure customer satisfaction by using mystery shoppers, in-store customer surveys or customer comment cards. However, mys-

tery shoppers and surveys can be expensive and may not paint an accurate picture of the retail experience. Customer feedback cards, on the other hand, are inexpensive to use but are seldom filled out by consumers and infrequently acted upon by store managers or retail executives.

Cheaper than paper

The Web, however, can act as a close-to-real-time customer satisfaction survey tool, and more retailers are jumping online.

To compete with large chains, Frontrunners Footwear, a chain of six

athletic footwear retail outlets in British Columbia, promises a personal approach to shopping. "We specialize in fitting people with the correct shoe size and style for running, walking or cross-training, or for kids," said Andrea Carey, Frontrunners' marketing director. However, the company wanted to ensure its customers were satisfied with their in-store experiences at outlets including the Adidas store, Bella and New Balance in Victoria, as well as Frontrunners stores in Victoria and Nanaimo.

Frontrunners was searching for a cost-effective measure of customer satisfaction

when a representative from The Agili-T Group asked Carey if she would like to conduct online customer satisfaction surveys. Based in Montreal, Agili-T conducts patient surveys for health-care organizations and has recently launched a retail survey division.

Frontrunners had conducted "the odd paper survey" but because of the cost it mostly relied on customer letters for feedback. "We got the negative and the very positive, but we were missing the bulk of our customers," Carey said. For instance, if customers did not like a store's hours of operation, product mix or price, they were

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ANDREA CAREY, MARKETING DIRECTOR OF FRONTRUNNERS (BOTTOM RIGHT), AND THE STAFF OF THE VICTORIA STORE

not likely to complain. Instead, they would shop elsewhere.

Carey liked that a Web-based survey would be less expensive than paper. In addition, Frontrunners could analyze results in close to real time rather than waiting for the survey company to tabulate the results and write the report.

In August 2006, Carey agreed to set up an online survey and it ran from November to the end of February. To motivate participation, customers were given "help us improve our service" bookmarks at the point of sale. The bookmarks had information on the survey, the Web address and an access code. In addition, those who completed the survey were entered into a draw for free merchandise.

Working the numbers

For the survey results to be valid, Frontrunners only required a statistically significant number of customers to participate. That number can range from five to 15 per cent, depending on how the retailer wants to interpret results, said Richard Pridham, president of Agili-T. To look at aggregate results, a company needs about a five per cent return, but "if you want to slice the results by various demographics such as gender and age, you need 10 per cent or more so you have a statistically accurate sample in each category." This is similar to election polls, he explained.

Frontrunners was pleased with customer participation and with the fact it did not have to wait until the survey was

completed before executives could begin analyzing results. In fact, if customers indicated they had negative experiences and gave Frontrunners permission to make contact, the surveys were flagged and sent to Carey. She reviewed the problem and had a store manager contact the customer to resolve the issue. Instead of having customers spreading negative word of mouth, Frontrunners turned unsatisfied customers into satisfied customers who were more likely to shop at the retailer again and also tell others how quickly the problem was solved.

Retailers have been slow to adopt Web-based surveys for several reasons, Pridham said. "Many cling to methods like mystery shopping," but that gives only a snapshot of service in one store at one point in time. They can also rely on "basket analysis"—who bought what. However, "if customers are leaving your store unhappy and you don't know it, then you are missing important information."

Retailers are also using customer relationship management (CRM) applications to run loyalty programs and engage in one-on-one marketing. But if they fail to measure "the moment of truth"—when customers interact with retailers—they end up spending marketing dollars on customers who are not coming back, Pridham said.

"Since retailers can't manage or improve that which they do not measure, they need to put in place feedback systems that give dissatisfied customers a voice,

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Pridham wrote in *Improving Customer Experiences is Key to Retail Success*, an Agili-T white paper (www.agili-t.com/en/docs/RetailCEM.pdf). "The systems must work in a timely manner so the retailer can resolve issues and convert dissatisfied customers to loyal ones who are more inclined to tell people about the service recovery experience."

Frontrunners understood this fundamental business argument and Carey was hoping for good news from the online survey, but was prepared to act on bad news.

Most of the online respondents were positive about the helpfulness of sales associates and store hours. However, many respondents felt pricing was not competitive and had difficulty finding the shoe sections they wanted.



**RICHARD PRIDHAM,
AGILI-T**

Frontrunners looked at the negative comments as an opportunity to take action, Carey said. Even before the survey was completed, the company started to improve store layouts and signage. While Frontrunners will never be a discount shoe store, the company is now cutting prices. "The survey identified areas we needed to act on," Carey said. "We will continue to stress service (in our advertising) but will cut prices and market our new competitive prices."

Frontrunners will now conduct surveys at least once a year to ensure the changes it



Track trash talk

Monitoring your online rep

There was a time when dissatisfied customers would tell a few people and the word might spread a little. But with the Internet and consumer-generated media such as blogs, chat rooms, message boards, and rating and review forums, suddenly word can travel at the speed of light. However, with almost 30 million blogs and hundreds of millions of Web sites and forums, how are companies supposed to keep up with the good, the bad and the ugly chatter?

Enter the world of Public Image Monitoring (PIM), powerful Web-based search and analysis tools. "The volume of information out there requires powerful analytics to find trends, patterns and relationships. Our PIM technology uses concept extraction to determine if content is positive, negative or neutral," said Mario Girard, president of Nstein Technologies.

Nstein's PIM tools can gather data in 15 languages and automatically contextualize it. PIM tools from BrandDimensions, on the other hand, gather data in English and Spanish and funnel it to more than 400 analysts who add context based on colloquialisms. For instance, the context of comparing a car to an animal can change. Calling a Ferrari a fox likely indicates a positive comment; calling it a dog is negative.

With PIM reports, which can be generated in close to real time, companies can monitor their image, react to what is being written and counter misinformation. That means sales representatives can spend less time overcoming objections based on negative perceptions and more time selling features, benefits and return on investment.



**MARIO GIRARD,
Nstein Technologies**

implements are having the desired effect and to monitor ongoing customer satisfaction levels.

"When you are going up against big box retailers, differentiating yourself...is important. And knowing if you are succeeding at that is equally critical to success," Carey said. ■

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