

Time to Re-Think Your Success Formula?



By Stan Pohmer

January is the month of good intentions, new resolutions, the beginning of a new season and a new year, a clean slate to write our new history on, all abuzz with exciting new plans and strategies to make 2019 the best and most profitable year ever!

And, just maybe, with an open mind to consider some new perspectives and thoughts that many of you might still have time to consider and include in your 2019 plans ...

Seasonal businesses like ours pose some unique and challenging “opportunities” that year-round industries don’t have to deal with. Most of our customers only shop us only one or two times a year, and almost none of our products have a strong memory in the customers’ mind, so we’re not top of mind in either specific product or prior place of purchase.

Recognizing this, we generally take the approach that we need to re-introduce ourselves to our customers each and every year, and our primary tactic is to pick a historically strong weekend based on past year’s experience and cast a product/price focused ad to the broadest possible audience, usually via a local newspaper ad and possibly on social media. And hopefully, the weather cooperates, but if it doesn’t, we can hope they remember your name, so when the sun does shine, they come in to see you. And then we repeat this strategy throughout the season. Oh, and one other point, your competitors have the exactly same strategy and timing as you do! Yes, spring marketing is a crapshoot, but that’s the way we’ve always done it, so ...

As I’ve said in the past, there are only a few ways to increase sales, and they give us the opportunity to then leverage profits based on the sales you achieve:

- Increase your customer count
- Increase the frequency of purchase of your existing customers
- Increase the transaction values (market basket value)
- Increase retail price points

Based on our historical marketing strategies, our focus has been on protecting customer count, attracting

some new customers and getting “old” customers to come back to shop, and hoping they all repeat purchase and hoping they buy a lot of stuff when they do. But as I’ve learned the hard way from my retail and consulting experience, hope is not a viable business strategy!

Let’s Talk Numbers

Now consider the results of our traditional “cast a wide net” marketing strategy: 80 percent of the customers who respond to this strategy only purchase from you once per season, so you never even have the opportunity to leverage frequency of shop or attempt to increase their transaction value. Even your best VIP customers are only 20 percent of the total customer count, but purchase in your store 3.4 times per season, accounting for about 65 to 75 percent of your total sales (and most likely 80+ percent of your total profits!). Yet we continue to spend 90+ percent of our marketing budgets to attract the 80 percent of your customers who come into your store once a year in response to an ad where they cherry pick your assortment to get the cheapest prices.

It’s much more expensive to acquire a new customer than it is to retain an existing customer who is much more valuable to you in terms of both sales and profits. Anyone else see what might be wrong with the way we’ve been approaching and investing in our marketing efforts?

Now, I’m not suggesting that we don’t need or want these once-a-season customers; they help expand your reach and base, and some of them have the potential to become VIP customers in the future. But what could happen if you devoted a larger share of your marketing dollars and resources to directly communicating and cultivating your current VIP customers? Might they increase their purchase frequency even higher? Might they increase their transaction value? Might they do both simultaneously, so you get the compounded benefit? And might an increasing share of their purchases be made at regular price, not just cherry-picked ad purchases? With a little TLC, might our relationships with them become stronger, so they become vocal advocates and ambassadors for your store?

The answer to all of these questions is that it’s highly likely but can’t be realized based on our current thinking and marketing strategies.

Customers for Life

We do pretty well in getting customers in our doors the first time and then converting this traffic to sales.

It’s much more difficult, however, to get these same customers to come in a second time and a third time, which should be a key goal and a developing strategy.

This requires a different way of thinking on the retailer’s part. Rather than focusing on product, you would want to figure out what you could do for these very valuable customers. What products and services could you offer to enhance the value of these customers and to find more customers like them? The emphasis shifts from you simply selling them stuff to you taking the active initiative to provide value to them, building relationships and creating a two-way loyalty and mutual dependence.

The objective should be to establish a customer for life, following and maintaining a valued dialog with that customer.

The philosophy behind this way of thinking is Customer Lifetime Value (CLV). It’s a data-driven process that helps you identify who your VIP customers really are, their frequency of purchase and an analysis of what they purchased; what gets measured can be managed and improved. Once you’ve analyzed and understand exactly who these VIP customers are, you can then start determining the optimum ways to communicate and messages that show value to them.

Key to the success of a CLV process is getting and analyzing the purchase relationships individual customers have with you. Many of you already have access to various customer purchase databases that you haven’t yet analyzed, such as your loyalty programs and credit card purchase records. If you aren’t already collecting CLV data, start now!

Think of our typical “cast a wide net” marketing as shooting a shotgun into a large group, hoping to hit as many as possible, but knowing that only a few will be touched. The CLV approach is more like aiming a rifle at an individual target; you have a much higher likelihood of success!

Yes, it’s important to add to your customer base, but it’s critical for you to identify your core, high-purchase/high-profit customers you already have a strong relationship with and add value to that relationship that will make them customers for life, customers that can count on you, and you on them!

Isn’t it time to re-think your success formula? 🐦

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