

Commentary:

Three New Year's resolutions for retailers

January 11, 2010

Denise Lee Yohn, mail@deniseleeyohn.com

Ahhh, the New Year! Time for a fresh start. Given how dismal and depressing 2009 was, everyone is eager to get on with 2010. Predictions for retail in the new year, however, are moderate at best and so another year of hard work lies ahead. Following these three New Year's resolutions for retailers will increase the likelihood that your hard work will lead to success:

1. Be loyal to customers

When thinking about loyalty, most retailers default to programs designed to increase customer loyalty -- punch cards, points systems, and other similar tactics. But what about programs designed to increase your loyalty to customers?

Typical customer-loyalty programs may be effective at generating traffic increases for a period of time, but they rarely actually engender more affinity from customers. Changes that you make to demonstrate our loyalty to customers would be far more impactful.

Some ideas:

- Providing your services after hours so that you're available whenever your customers need you;
- Offering equivalent or better deals than the ones you run to promote trial by new customers; and
- Offering to hand-deliver or at least overnight ship products that are out of stock at no cost.

A plethora of ideas are sure to arise if you adopt the mindset of being loyal to customers. The point is the new mindset -- resolve to be less concerned with getting one more purchase from a customer and more concerned with demonstrating how important she is to you.

2. Run more innovative promotions

2009 was the year of the discount -- all retailers felt the pressure to lower prices in order to meet consumers' new frugality. After all, discounting prices is a tried and true way for driving traffic and generating purchase interest.

But most retailers can't sustain the lower margins permanently, and most brands can't sustain a differentiated position based on price alone. Price is too easily copied and when your primary message is price, your customers' appetite for lower and lower prices becomes insatiable.

Surely you'll need to run promotions in the new year, but discounting prices is only one way to promote. New products, limited-time only offerings, inventive holidays, and in-store events are just a few other promotional approaches. Even price-point messaging on regularly-priced products (e.g., 10 great items for under \$10 every day) may generate excitement.

Make 2010 the year of creative promotions.

3. Drive your business with customer insights

It's time to stop driving your business with your merchandising strategy. A product-driven approach may have worked when it was easy to figure out what customers wanted. Now, customers' expectations and purchase drivers are less clear.

Success in 2010 will require a new level of customer intimacy. You need to know what customers value most and what new needs they have, and then use that knowledge to drive everything from product assortment to service policies. Even if you don't have the budget for formal market research, there are other ways to gather customer insights.

Many retailers have compiled databases of customer information or Facebook fans and Twitter lists, but most aren't leveraging them fully. They're mostly used to send e-mail blasts or promotional announcements -- that is, one-way communication. Why not use your lists to engage with customers in a two-way dialogue that increases your understanding of what they're looking for?

Even if your chain doesn't have a customer database, it's likely that rich insights can be gleaned by your salespeople if they're trained to observe customers carefully and elicit their feedback and input. Create a system for collecting and sharing those insights and use them to drive your strategic decision-making.

Like all New Year's resolutions, these may be hard to keep. But those retailers who have the discipline to do so are more likely to see positive results not only in 2010 but for many years to come.

Denise Lee Yohn, consulting partner with brand as business, has been inspiring and teaching companies how to operationalize their brands to grow their businesses for over 20 years. She can be reached at mail@deniseleeyohn.com.