

Chain Drug Review

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MERCHANDISING

Value proposition must be current

NEW YORK — With more shoppers pinching pennies and looking for value, consumer loyalty is dropping, recent studies show, and if retailers and suppliers don't step up their in-store marketing efforts they will lose customers.

"Both consumer packaged goods manufacturers and retailers are well advised to take direct and forceful action to increase loyalty, retention and customer value as a core marketing and business strategy — both in the current economic downturn and beyond," a report released earlier this year by Catalina Marketing Corp.'s Pointer Media Network and the CMO Council notes. "To do so, they should increase the relevance of their communications and offers to high-value customers."

On average, slightly less than

half of America's shoppers who were loyal to a particular brand in 2007 remained highly loyal a year later, according to the report. "The financial impact of this consumer churn is significant," the study says. "If major brands tracked in this study had retained their high loyals from 2007, their 2008 observable revenues would have increased 5%, 7%, 12% and even 25%."

Mike Ebert, Catalina's vice president of retail services for the drug channel, stresses that when shoppers abandon a brand they often turn to another retailer for items in that product category.

"It's important for a retailer to keep its value proposition current and to meet the needs of its customers," he says. "If it doesn't, shoppers will move on to the next chain."

And once a shopper abandons a brand or a store, it becomes increasingly difficult for a retailer to replace that person with a new customer, Ebert notes.

"The myth was that once a brand had a loyal customer, it just had to go after new customers," he says. "That's just not true."

While strong in-store marketing efforts play a role in keeping customers and attracting new ones, Ebert points out that the most critical factor to building brand loyalty is to ensure that retailers and manufacturers target the right customers.

"We're finding that a very small percentage — sometimes only about 2% — of households make up more than 80% of a brand's loyal customers," Ebert says.