

Data quality

All CRM systems are critically dependent on the currency, completeness and accuracy of their databases. One of the biggest challenges after installation is maintaining data quality. The importance of this was recognised in a survey of CRM and marketing managers in 120 medium-large UK B2C organisations (QAS, 2002). Of these, 86% rated accurate data as 'crucial' to their CRM system. However, the majority rated their data quality as falling short of their objectives. It can be suggested that for data quality to be managed successfully, the following are important:

- 1 **Establish a business owner.** This issue is too important to be managed solely by technologists and it requires management at customer contact points, which are part of the responsibility of marketing. All staff involved with managing customer data should be made clear about their responsibilities.
- 2 **Optimise quality on capture.** Validation checks can be built in at data entry to check that fields such as postcode are complete and accurate.
- 3 **Continuously improve quality.** Customer contact details constantly change. Changes of email address are even more difficult to manage than changes of physical address. As a consequence, all contact points should be used to help maintain data quality.
- 4 **Work towards a single view of customer.** Many errors result because different data are stored in different databases so unifying the data in a single database is the aim for many organisations.
- 5 **Adopt a data quality policy.** Of the sample in the QAS (2002) survey 40% had no data quality policy, but this is essential to help achieve the four steps above.

As a conclusion to this chapter, read Case study 9.1 as an example of how Tesco has used CRM technology to improve their customers' 'share of wallet'. It is estimated that for every £8 spent on groceries in the UK £1 is spent at Tesco, which is now seeking its share of all retail category sales.

Case Study 9.1

Tesco.com increases product range and uses triggered communications to support CRM

Context

Tesco, well known as Britain's leading food retail group with a presence in Europe and Asia, has also been a pioneer online.

Product ranges

The Tesco.com site acts as a portal to most of Tesco's products, including various non-food ranges, Tesco Personal Finance and the telecoms businesses, as well as services offered in partnership with specialist companies, such as clothing, dieting clubs, flights and holidays, music downloads, gas, electricity and DVD rentals.

Competitors

Tesco currently leads the UK's other grocery retailers in terms of market share. This pattern is repeated online. The compilation below is from Hitwise (2005) and the

figures in brackets show market share for traditional offline retail formats from the Taylor Nelson Softres Super Panel (see <http://superpanel.tns-global.com>).

- 1 Tesco Superstore, 27.28% (29% of retail trade)
- 2 ASDA, 13.36%
- 3 ASDA@t Home, 10.13% (17.1%)
- 4 Sainsburys, 8.42%
- 5 Tesco Wine Warehouse, 8.19%
- 6 Sainsburys to You, 5.86% (15.9%)
- 7 Waitrose.com, 3.42% (3.6%)
- 8 Ocado, 3.32% (owned by Waitrose, 3.6%)
- 9 Lidl, 2.49% (1.8%)
- 10 ALDI-UK, 2.10% (2.3%).

Some companies are repeated since their main site and the online shopping site are reported on separately. Asda.com now seems to be performing in a consistent manner online to its offline presence. However, Sainsburys' online performance seems to be significantly lower compared to its offline performance. ▶

Some providers such as Ocado which originally just operated within the London area have a strong local performance.

Notably, some of Tesco.com's competitors are absent from the Hitwise listing since their strategy has been to focus on retail formats. These are Morrisons (12.5% retail share), Somerfield (5.5%) and Co-op (5.0%).

Promotion of service

As with other online retailers, Tesco.com relies on in-store advertising and marketing to the supermarket's Clubcard loyalty scheme's customer base to persuade customers to shop online. *New Media Age* (2005c) quotes Nigel Dodd, marketing director at Tesco.com, as saying: 'These are invaluable sources as we have such a strong customer base.' However, for non-food goods the supermarket does advertise online using keyword targeted ads.

For existing customers, email marketing and direct mail marketing to provide special offers and promotions to customers are important.

According to Humby and Hunt (2003), e-retailer Tesco.com uses what they describe as a 'commitment-based segmentation' or 'loyalty ladder', which is based on recency of purchase, frequency of purchase and value which is used to identify six life cycle categories which are then further divided to target communications:

- 'Logged-on'
- 'Cautionary'
- 'Developing'
- 'Established'
- 'Dedicated'
- 'Logged-off' (the aim here is to win back).

Tesco then uses automated event-triggered messaging to encourage continued purchase. For example, Tesco.com has a touch strategy which includes a sequence of follow-up communications triggered after different events in the customer life cycle. In the example given below, communications after event 1 are intended to achieve the objective of converting a website visitor to action; communications after event 2 are intended to move the customer from a first-time purchaser to a regular purchaser and for event 3 to reactivate lapsed purchasers.

- *Trigger event 1: Customer first registers on site (but does not buy)*
Auto-response (AR) 1: 2 days after registration email sent offering phone assistance and £5 discount off first purchase to encourage trial.
- *Trigger event 2: Customer first purchases online*
AR1: Immediate order confirmation.

AR2: Five days after purchase email sent with link to online customer satisfaction survey asking about quality of service from driver and picker (e.g. item quality and substitutions).

AR3: Two weeks after first purchase – direct mail offering tips on how to use service and £5 discount on next purchases intended to encourage reuse of online services.

AR4: Generic monthly e-newsletter with online exclusive offers encouraging cross-selling.

AR5: Bi-weekly alert with personalised offers for customer.

AR6: After two months – £5 discount for next shop.

AR7: Quarterly mailing of coupons encouraging repeat sales and cross-sales.

- *Trigger event 3: Customer does not purchase for an extended period*

AR1: Dormancy detected – reactivation email with survey of how the customer is finding the service (to identify any problems) and a £5 incentive.

AR2: A further discount incentive is used in order to encourage continued usage to shop after the first shop after a break.

Tesco's online product strategy

New Media Age (2005c) ran a profile of Laura Wade-Gery, CEO of Tesco.com since January 2004, which provides an interesting insight into how the business has run. In her first year, total sales were increased 24% to £719 million. Laura is 40 years old, a keen athlete and has followed a varied career developing through an MA in History at Magdalen College, Oxford, and an MBA from Insead; Manager and partner in Kleinwort Benson; Manager and senior consultant, Gemini Consulting; Targeted marketing director (Tesco Clubcard), and Group strategy director, Tesco Stores.

The growth overseen by Wade-Gery has been achieved through a combination of initiatives. Product range development is one key area. In early 2005, Tesco.com fulfilled 150,000 grocery orders a week but now also offers more intangible offerings, such as e-diets and music downloads.

Wade-Gery has also focussed on improving the customer experience online – the time it takes for a new customer to complete their first order has been decreased from over an hour to 35 minutes through usability work culminating in a major site revision.

To support the business as it diversifies into new areas, Wade-Gery's strategy was 'to make home delivery part of the DNA of Tesco', according to *New Media Age* (2005c). She continues: 'What we offer is delivery to your home of a Tesco service – it's an obvious extension of the home-delivered groceries concept.' By

May 2005, Tesco.com had 30,000 customers signed up for DVD rental, through partner Video Island (which runs the rival Screenshot service). Over the next year, Wade-Gery's target is to treble this total, while also extending home-delivery services to the likes of bulk wine and white goods.

Wade-Gery looks to achieve synergy between the range of services offered. For example, its partnership with eDiets can be promoted through the Tesco Clubcard loyalty scheme, with mailings to 10 million customers a year. In July 2004, Tesco.com Limited paid £2 million for the exclusive licence to eDiets.com in the UK and Ireland under the URLs www.eDietsUK.com and www.eDiets.ie. Through promoting the services through the URLs, Tesco can use the dieting business to grow use of the Tesco.com service and in-store sales.

To help keep focus on home retail delivery, Wade-Gery sold women's portal iVillage (www.ivillage.co.uk) back to its US owners for an undisclosed sum in March 2004. She explained to *New Media Age*:

It's a very different sort of product to the other services that we're embarking on. In my mind, we stand for providing services and products that you buy, which is slightly different to the world of providing information.

The implication is that there was insufficient revenue from ad sales on iVillage and insufficient opportunities to promote Tesco.com sales. However, iVillage was a useful learning experience in that there are some parallels with iVillage, such as message boards and community advisers.

Wade-Gery is also director of Tesco Mobile, the joint 'pay-as-you-go' venture with O₂ which is mainly serviced online, although promoted in-store and via direct mail. Tesco also offers broadband and dial-up ISP services, but believes the market for Internet telephony (provided through Skype and Vonage, for example) is not sufficiently developed. Tesco.com have concentrated on more traditional services which have the

demand, for example Tesco Telecom fixed-line services attracted over a million customers in their first year.

However, this is not to say that Tesco.com will not invest in relatively new services. In November 2004, Tesco introduced a music download service, and just six months later Wade-Gery estimates they have around 10% market share – one of the benefits of launching relatively early. Again, there is synergy, this time with hardware sales. *New Media Age* (2005c) reported that as MP3 players were unwrapped, sales went up – even on Christmas Day! She says:

The exciting thing about digital is where can you take it in the future. As the technology grows, we'll be able to turn Tesco.com into a digital download store of all sorts, rather than just music. Clearly, film [through video on demand] would be next.

But it has to be based firmly on analysis of customer demand. Wade-Gery says: 'The number one thing for us is whether the product is something that customers are saying they want; has it reached a point where mass-market customers are interested?' There also has to be scope for simplification. *New Media Age* (2005c) notes that Tesco is built on a core premise of convenience and value and Wade-Gery believes what it's already done with mobile tariffs, broadband packages and music downloads are good examples of the retailer's knack for streamlining propositions. She says: 'We've actually managed to get people joining broadband who have never even had a dial-up service.'

Source: Humby and Hunt (2003), *New Media Age* (2005c), Hitwise (2005), Wikipedia (2005).

Questions

Based on the case study and your own research on competitors, summarise the strategic approaches which have helped Tesco.com achieve success online.

Summary

- 1 The objective of customer relationship management (CRM) is to increase customer loyalty in order to increase profitability. CRM is aimed at improving all aspects of the level of customer service.
- 2 CRM tactics can be based around the acquisition–retention–extension model of the ideal relationship between company and customer.
- 3 In an e-commerce context, acquisition refers to gaining new customers to a company and converting existing customers to online services. To enable an online