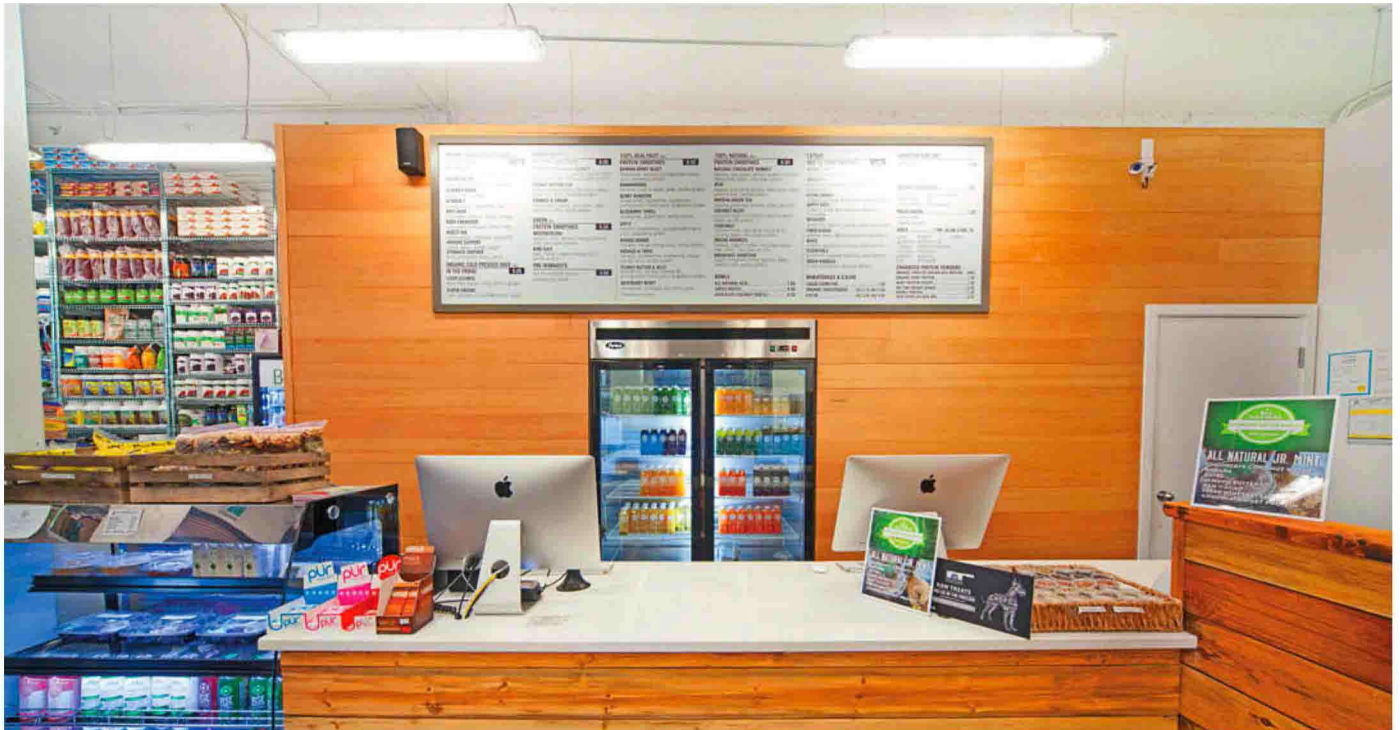# Relational Retail

Customer analytics help Canadian health retailer expand into the U.S.

by **JANET GROEBER**

Loyalty program cards have grown from pieces of paper that got stamped or punched to magnetic-striped cards that gather a customer's purchasing history electronically and allow for endless scrutiny and evaluation. A typical customer today is likely carrying a keychain full of a dozen such plastic bits, demonstrating their wide appeal thanks to a host of discounts, rewards or recognitions consumers clamor for.

In turn, retailers with access to such information on customer spending and behavior can use it to build marketing campaigns on a global or granular level.

Even independent retailers are savvy to loyalty programs, and the barriers to entry are becoming more manageable for sophisticated data collection and actionable results. Body Energy Club, a one-stop shop for health products such as nutrients, supplements and smoothies, has run a small chain of successful locations in Canada for years and has a loyalty program in place. Yet, as the Vancouver-based retailer approached the opening of its first U.S. store in 2015 — a high-visibility Hollywood Boulevard location in Los Angeles — founder Dominick Tousignant sought a new program — more nimble, powerful and responsive — that would quickly expand its customer base and fuel growth.

With little name recognition, the business was likely headed for a costly learning curve as customers found the new player in such a highly competitive field.

"Everyone knows us in Vancouver because we've been around for 14 years," Tousignant says, "but nobody knew us in California. ... I didn't want to wait 14 years to build up business in the U.S. I wanted to speed things up and turn a profit within the first year."

EVOLVING RELATIONSHIPS

Industry research has shown it costs a business five to 10 times more to acquire a new customer than it does to sell to an existing one. What's more, on average, current customers spend 67 percent more than new customers.

"We think the most important asset any retailer has is a customer relationship," says Antoine Azar, co-founder and chief technical officer for marketing automation platform Thirdshelf. "And we're watching these relationships evolve through many channels. The biggest by far today — more than 90 percent — is still bricks-and-mortar, especially for the independent retailers we serve."

But, he says, "e-commerce is growing year after year, and we want to give our retailers a complete and unified picture of their customer relationships."

Thirdshelf uses artificial intelligence to extract patterns and insights from a retailer's point-of-sale and e-commerce data; the information is then fed into a marketing automation system to re-engage customers and grow sales.

"We don't just know that a customer

made a purchase at a certain date for a certain amount, but we actually know what it is they bought," Azar says. "Based on this data, we can derive a lot of interesting insights."

TARGETED CAMPAIGNS

Tousignant turned to a cloud-based customer loyalty program from Thirdshelf to build clientele, meaning his staff wouldn't be bothered with managing hardware and software updates for the new U.S. operation.

"We're known for our customer service, and our customers include anyone with an interest in healthy living," he says. "They often need help selecting products, and our staff is trained to help them select the products best suited to their needs."

The Thirdshelf system analyzes, reports and automates highly targeted marketing campaigns to very specific customers and their buying patterns, which also helps retailers better understand the purchasing preferences of customers.

At Body Energy Club's Hollywood location, the data revealed that customers don't like to purchase large-quantity packages even if it saves money. They would rather come back regularly to restock.

"Thirdshelf has been very good about being trackable and letting us adjust our programming to target specific customers," Tousignant says. For example, "Everyone who hasn't shopped in 30 days will get an email saying, 'We've missed you, have a drink on us.'"

Within the first six months of operation, Body Energy Club had built a database of more than 6,500 customers and had reached sales of $3,000 per day. The company's first Canadian store, in contrast, reached $5,000 in daily sales after five years.

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The Thirdshelf system analyzes, reports and automates highly targeted marketing campaigns to very specific customers and their buying patterns. Eight months after its launch, Body Energy Club's new U.S. location was seeing daily sales growth of 400 percent.
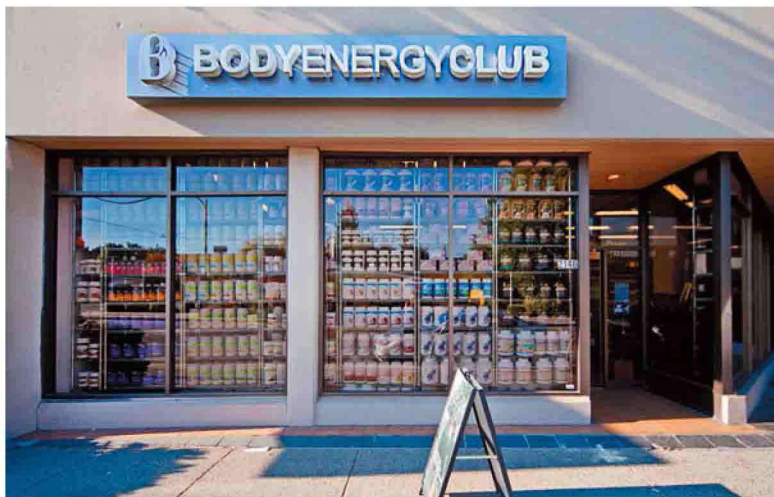
growth of 400 percent. The open rate for its email offers rose to 85 percent, well above the industry average of 18 percent.

DOLLARS AND SENSE

"We wanted to design a system that was as customer-friendly as possible," Azar says. "We believe many customers don't like carrying wallets full of plastic cards, or downloading tons of mobile apps, simply to maintain a relationship with a retailer they like."

It's one reason why Thirdshelf integrates closely with POS systems. Customers need only to give their name, email or phone number and the system will pull up their profile along with all their rewards. Of course, "Retailers who choose to are still free to give out loyalty cards with their logo on it," Azar says, "but it's completely optional."

Thirdshelf also offers "RFM" analysis. "We'll build a profile on each customer based on the 'recency' of their last purchase, the 'frequency' of their purchases and the 'monetary' amount

they've paid to date," he says. "Where it gets more interesting is in the SKU-level machine learning algorithms of the platform."

The role of the algorithm, Azar says, is to predict what a customer will buy in the future, at what date and why, based on a timeline of past purchases.

"Return on investment for our retailers is the number one metric we track at Thirdshelf to measure our success," Azar says. "With our integration to the point-of-sale and e-commerce platforms, we're able to track in real-time the sales generated through Thirdshelf-driven marketing campaigns. It's amazing to see retailers who never did any marketing before launch a campaign in a few clicks through Thirdshelf, and generate tens of thousands of dollars in a few days."

Retail clients are able to see how they're performing, compared to their peers, as well as the health of their customer base and the breakdown of revenue sources.

"We also wanted to give every retailer a chance to try out the power of what we have termed 'relational retail.' We built a pricing model that starts completely free," Azar says. "It offers a powerful dashboard of customer-centric analytics to the retailer."

The next step is activating Thirdshelf's loyalty marketing engine, which allows signing up members, running promotions and enabling loyalty programs. That is free for up to 250 members.

"Our pricing then scales per blocks of 250 customers. It's designed for independent retailers who don't necessarily have deep pockets, and need to see real ROI for every dollar they spend," Azar says.

"Our average retailer gets 15 times ROI, while our top performers exceed 100 times. We're amazed by what our retailers are achieving through our platform." **STORES**