



MEETING THE CRM CHALLENGE IN **2012 AND BEYOND**

Today's smart retailers know the importance of understanding their customers and customer behavior through CRM. However, to make the most of their investment, they must tackle a number of issues head-on. This exclusive 2012 Retail CRM Survey, from Retail TouchPoints, sponsored by Epicor Retail, addresses 7 key variables affecting the value and performance of CRM programs, and their potential to address the evolving needs of today's retail businesses and the consumers they depend on. Retail industry analysts and other experts agree that we have entered the "age of the customer."

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Nearly

80%

of retailers either have
or plan to add a
CRM program.

In this new era, the customer leads rather than follows; actively comments rather than passively receives; and demands personalized attention rather than mass market messaging. In order for today's retailer to thrive, particularly during an economic downturn, a laser-sharp focus on this newly empowered customer is more important than any other must-do on a company's strategic project list, according to William Band, a Forrester Research analyst.

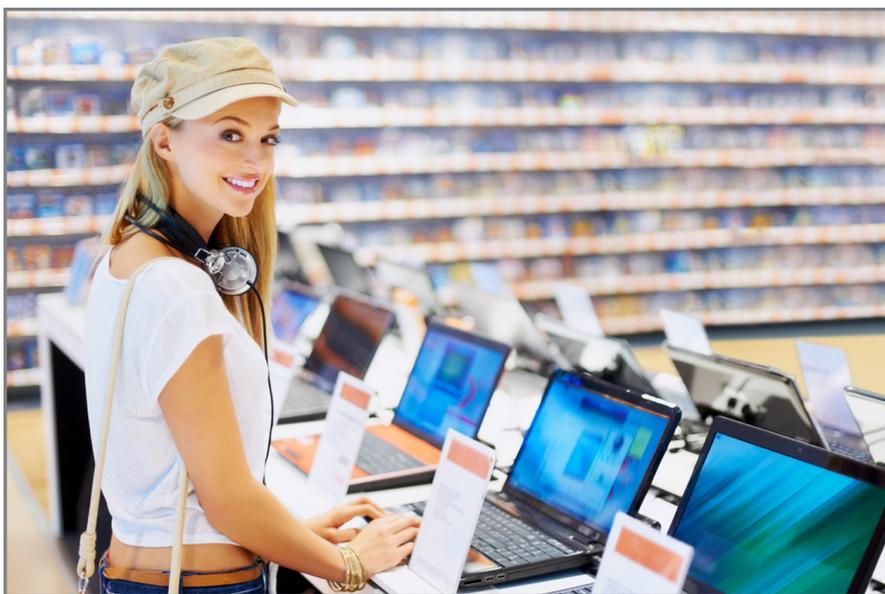
The majority of retailers already recognize the essential value of supporting their business processes through CRM in this customer-centric age: According to the **2012 Retail CRM Survey** from Retail TouchPoints, sponsored by Epicor Retail, nearly 80% of retailers either have (63%) or plan to add (16%) a Customer Relationship Management (CRM) program.

These savvy sellers know about the lower cost of customer retention vs. acquisition; the increased profitability over the life of the customer; as well as the ability to use an improved customer experience to drive sales, boost loyalty and enhance long-term relationships. More and more companies are aware that truly understanding customers through the gathering and analyzing of data, and by providing personalized service and communications based on that knowledge, can help them compete in a fiercely challenging marketplace and meet the demands of an increasingly fickle consumer population.

But appreciating and understanding the philosophy behind CRM and getting the maximum return on a company's investment in a

systematic approach are two different steps along the journey toward customer-centric CRM success. Even the most forward-thinking retailers still have many challenges left to face and goals to achieve when it comes to their CRM systems and strategies.

The following white paper will use the **2012 Retail CRM Survey** results to help reveal insights into seven critical CRM issues retailers currently grapple with in today's competitive, customer-driven, cross-channel environment — and address how retail executives are working to meet these CRM-related challenges in 2012 and beyond.



Only
18%
 of retailers believe **price** is the **biggest factor** in the purchase decision.

CHALLENGE #1 INVESTING IN THE IDEAL CRM SYSTEM

As retailers have moved from CRM aspiration to specific system strategies, they have discovered the distinct functionality needs necessary to manage and support their customer relationships – including optimizing loyalty programs, executing and managing targeted marketing campaigns, and providing instant promotional offers at the point of sale or on mobile devices.

However, when it comes to purchasing CRM technology solutions, retailers have also identified essential must-have characteristics of system success. For example, **2012 Retail CRM Survey** respondents said **ease of use** – including a user-friendly interface, simplified processes and intuitive navigation – is essential, with 40% ranking it as the most important element. On the other hand, less than half that number (18%) felt that price is the biggest factor in this purchase decision.

Other key CRM system characteristics on retailers’ minds include: The **underlying technology** of the CRM system; the **number of**

people needed to support the system; and the **depth of functionality** – **2012 Retail CRM Survey** respondents ranked all of these in the top five of important features to consider when deciding on a CRM purchase.

Clearly, retailers want the best of both worlds when it comes to their ideal CRM system: that is, one as deep in powerful functionality and technology capabilities as is required in today’s multichannel world of varied customer touch points and interactions; but one that

is also user-friendly and encourages cross-department access. Today’s customer-centric companies don’t want to keep data insights in narrow silos such as IT or even marketing; they want a central database with a single 360-degree view of the customer that can be accessed by sales, C-suite executives, store associations, contact center agents and even merchandise managers.

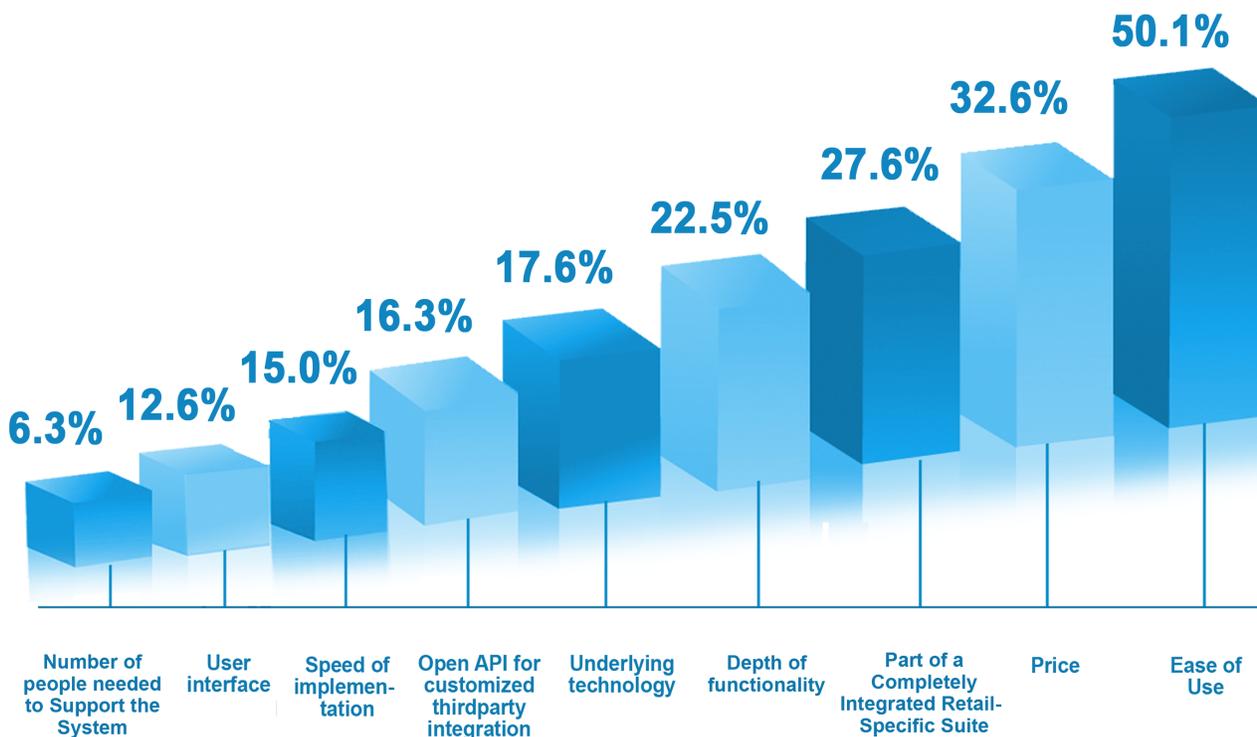


CHALLENGE #2 DISCOVERING THE BEST USES OF CRM DATA



It is clear that capturing data through CRM is an essential step toward a deeper understanding of the customer. But today, retailers seek a complete, consolidated, well-rounded view gleaned from multiple sales channels so that everyone, across departments, sees the same profile of individual customers or high-value customer groups. With this single view, retail managers and associates can better meet customer needs quickly and efficiently, whether it is for a valuable shopper with a complaint or for loyalty program members looking for information.

What Features Are Most Important To You When Purchasing A CRM System?
(in order, features receiving rankings of 1 or 2 out of 9)

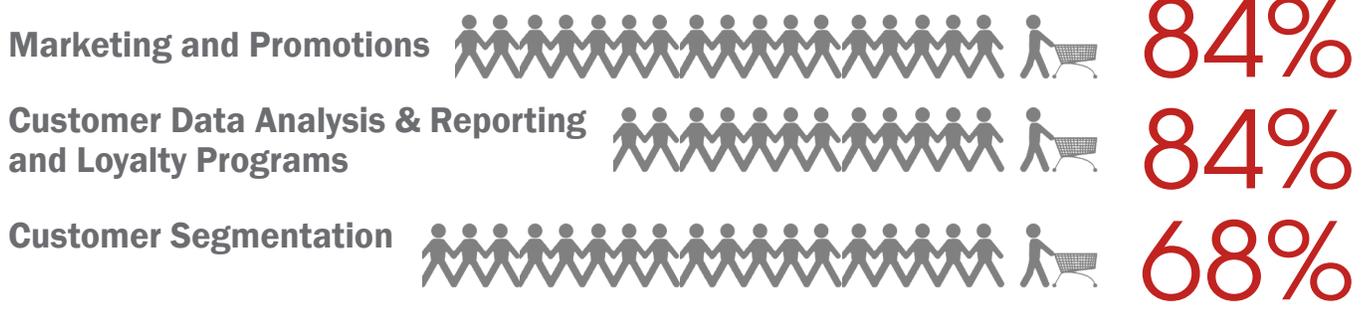


Nearly
60%
of retailers **already integrate data across channels**, while another
17%
have future plans to do so.

Making sense of these complex streams of data, however — from point-of-sale to e-commerce to e-mail to contact centers — is a formidable challenge. While 61% of **2012 Retail CRM Survey** respondents already funnel data into a centralized database, integration is an ongoing challenge in today’s multichannel environment, as retailers work to consolidate their CRM program across channels — nearly two-thirds of surveyed retailers (60%) already do cross-channel integration to some extent, while another 17% have future data integration plans.

Retailers also have specific needs to address when it comes to making the most of their data — including how best to reward customer loyalty, target the right offers to the right customers, deal with quick-changing customer data and forecast future efforts. An overwhelming majority of **2012 Retail CRM Survey** respondents, for instance, use or plan to use the data from CRM programs for marketing and promotions (84%); customer data analysis and reporting (84%); and loyalty programs. Customer segmentation (68%) ranks close behind.

AN OVERWHELMING MAJORITY OF **2012 RETAIL CRM SURVEY** RESPONDENTS use or plan to use the data from CRM programs for



Nearly a third of the survey respondents report that

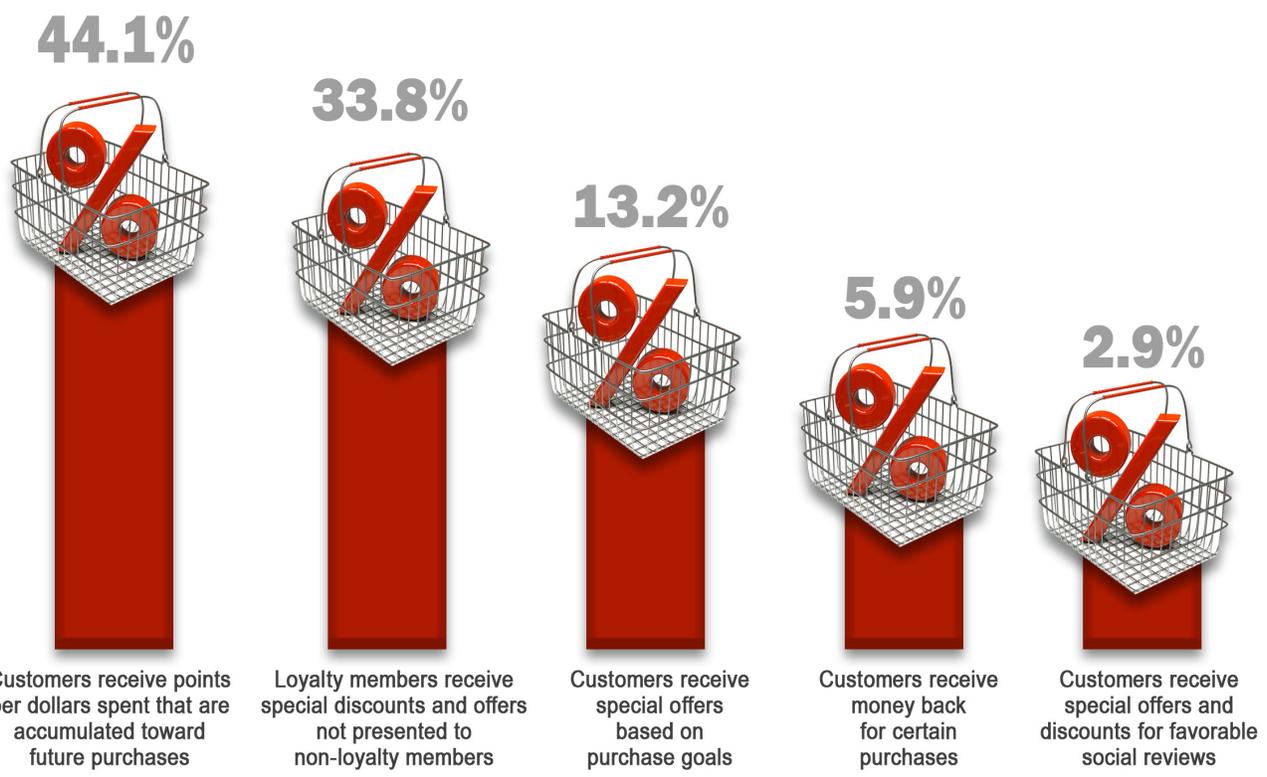
10% to 25%
of their sales are already tied to loyalty programs.

CHALLENGE #3 MAKING THE MOST OF LOYALTY PROGRAMS

A well-designed retail loyalty program is meant to drive ROI by rewarding shoppers with special incentives to encourage additional purchases and strengthen the retailer-customer relationship over time. According to a [2011 COLLOQUY Census Talk White Paper](#), loyalty memberships have exceeded 2 billion for the first time – growing more than 100% since 2006 in sectors such as specialty retail, and more than 25% in areas such as department stores and grocery.

The **2012 Retail CRM Survey** results support the bottom-line importance of loyalty: Nearly a third of the survey respondents, for example, report that 10% to 25% of their sales are already tied to loyalty programs, while another 40% of 2012 Retail CRM Survey respondents cited even higher numbers.

How is your loyalty rewards program structured?



Options to earn and cash in points serve as the most popular way to deliver rewards.

44%

of 2012 Retail CRM Survey respondents use them.

The flip side of these promising statistics? Consumers also demand more from the loyalty programs they actively participate in. As such, if retailers want to take full advantage of the opportunities to build long-term relationships through a loyalty program, they require a fully optimized CRM system that calculates, maintains and administers loyalty programs across all channels beginning at the point of sale.

For instance, options to earn and cash in points serve as the most popular way to deliver rewards (44% of **2012 Retail CRM Survey** respondents use them) while one-third of the survey respondents offer special discounts and member offers. The right tracking technology is necessary to run this kind of program, and a single customer view across channels is optimal to provide member relevance and personalized messaging.

How do you use (or plan to use, if future implementation) the data from the CRM program?



While **98%** of retailers are on Facebook, only **22.5%** currently conduct structured analysis of social data.

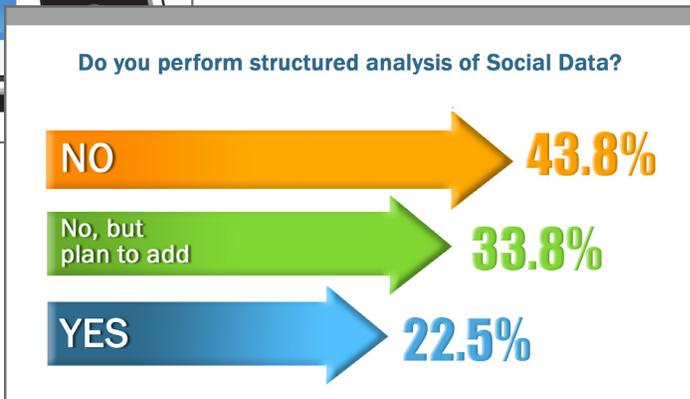
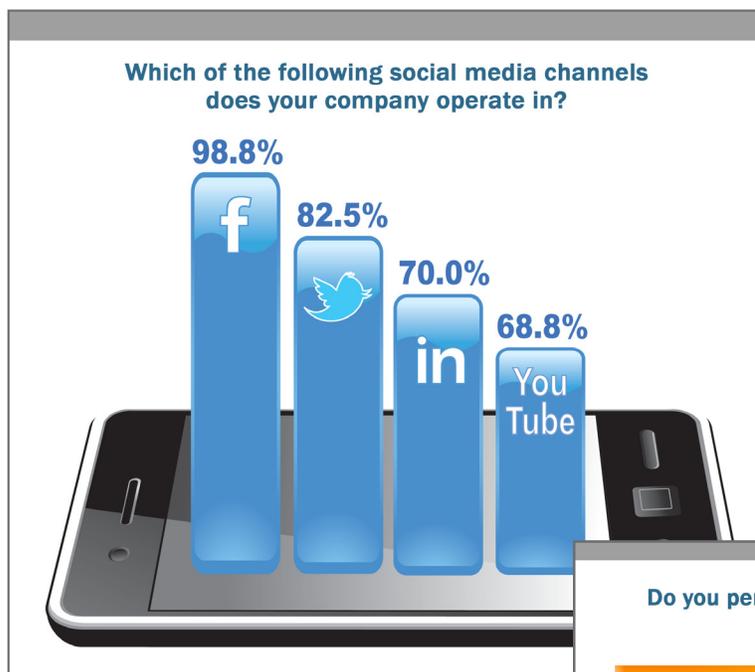
CHALLENGE #4 GETTING SOCIAL WITH CRM

Consumers spend more and more time interacting with social networks, blogs and community forums. Retailers increasingly interact with customers in the social space, too, as well as track “likes,” shares, comments and views. CRM strategies have now developed to take advantage of this emerging and constantly shifting channel.

Traditionally, CRM systems measured in-store activity – then, with the explosion of the web, online data needed to be taken into account as well. Now, as social networking has become a primary communication channel for millions, bringing social data into CRM in a meaningful, measurable way has become the next cross-channel hurdle for retailers to leap.

According to 2011 Gartner research, social CRM will become a \$1 billion market this year, and 30% of companies will begin to integrate social data into their CRM systems. But currently, social CRM remains at its most nascent stage for retailers: While the 2012 Retail CRM Survey results reveal that 98% of survey respondents are on Facebook, and an overwhelming majority also have a presence on Twitter, LinkedIn and YouTube, only 22.5% of respondents currently do any structured analysis of social data. A third, however, do plan to add these efforts.

With more case studies spotlighting the bottom-line business value of social CRM, the channel remains poised to explode in the near future, according to Forrester Research. But dipping-the-toe experiments in the space are no longer enough: Successful social CRM ultimately requires the right ROI measurement, which retailers are still wrapping their minds around.



68%

of the survey respondents said their CRM data already is available on mobile devices or will be available down the line.

CHALLENGE #5 MOVING TOWARD MOBILE CRM

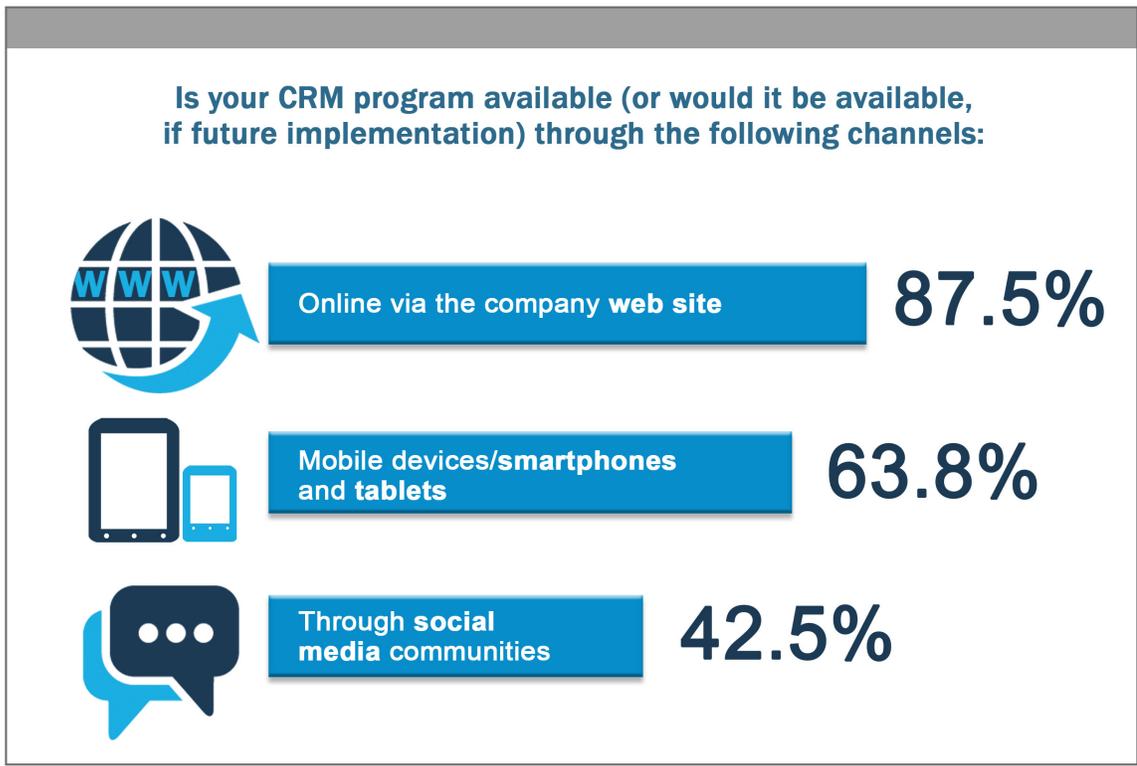
Retailers have spent the past few years optimizing their web sites for mobile and developing mobile apps for shoppers; but now, interest in mobile CRM solutions is red-hot, according to Forrester Research. “The ability to use handheld mobile devices to support customer-facing workers – for example, sales contacts and field customer service activities – has clearly moved beyond its previous status as a specialized nice-to-have option and into the mainstream,” says Forrester’s William Band.

While retailers may have invested in traditional CRM solutions for more than a decade, they now want their mobile workers – sales reps and managers, for instance – to have the necessary information on hand, in the store, to serve customers effectively using a tablet or smartphone.

This is still a growing area in which complex options and architectures present impediments to execution. But according to the 2012 Retail CRM Survey, retailers are already thinking ahead to overcome them:

68% of the survey respondents said their CRM data already is available on mobile devices or will be available down the line.

While still in its very early stages, mobile CRM options open up whole new possibilities for a customer-centric organization – from gathering customer data on the fly to using database information to help service high-value customers on the sales floor.



85%

of retailers are using **e-mail to communicate** with customers, while

68%

continue to use **direct mail.**

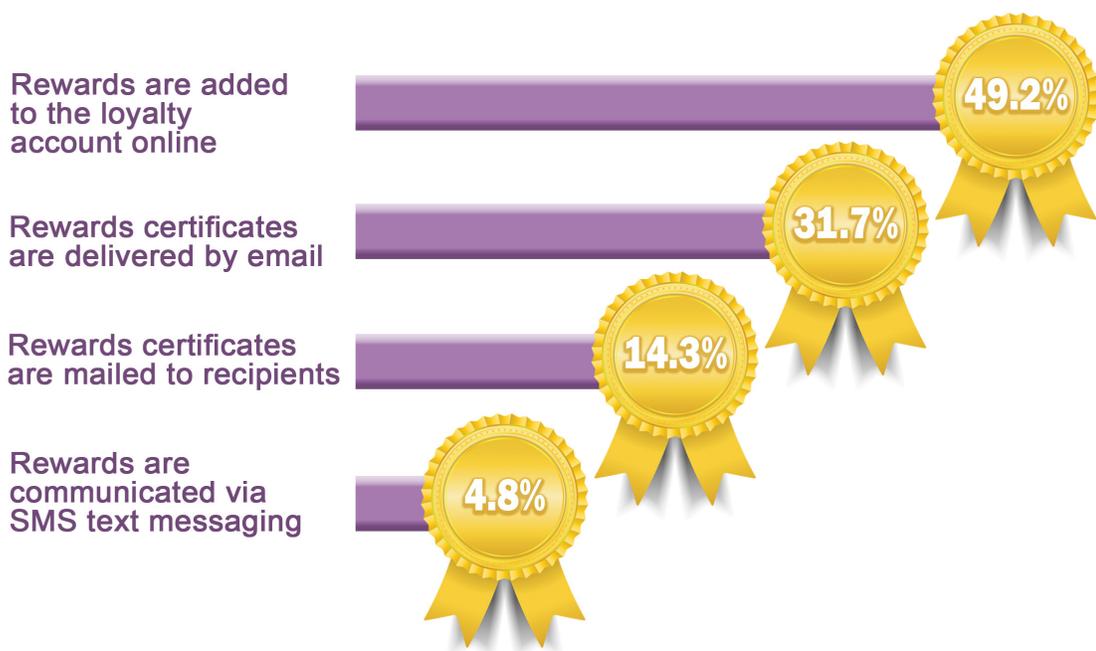
CHALLENGE #6 STAYING IN TOUCH WITH CURRENT CUSTOMERS

Respondents to the 2012 Retail CRM Survey shared that between 25% and 50% of their customers have shopped with them in the last 12 months. The recency of transactional connection offers a tremendous opportunity for follow-up – not just for cross-selling and up-selling, but for developing a long-term relationship with customers that boosts loyalty and referrals.

E-mail is currently the most common way 2012 Retail CRM Survey respondents communicate with their customers (85%), while direct mail also remains strong (68%), and two-thirds also reach out through social media channels.

These communications can offer daunting challenges because today’s consumer demands reach-outs that are personalized, relevant and timely. To meet those goals, retailers require a 360-degree customer view across channels so that they provide the right messaging context – but also a degree of automation that is efficient and realistic.

How are rewards communicated/delivered to your customers?



Today's in-house CRM teams tend to be small — nearly half of 2012 Retail CRM Survey respondent teams are

5 or Less

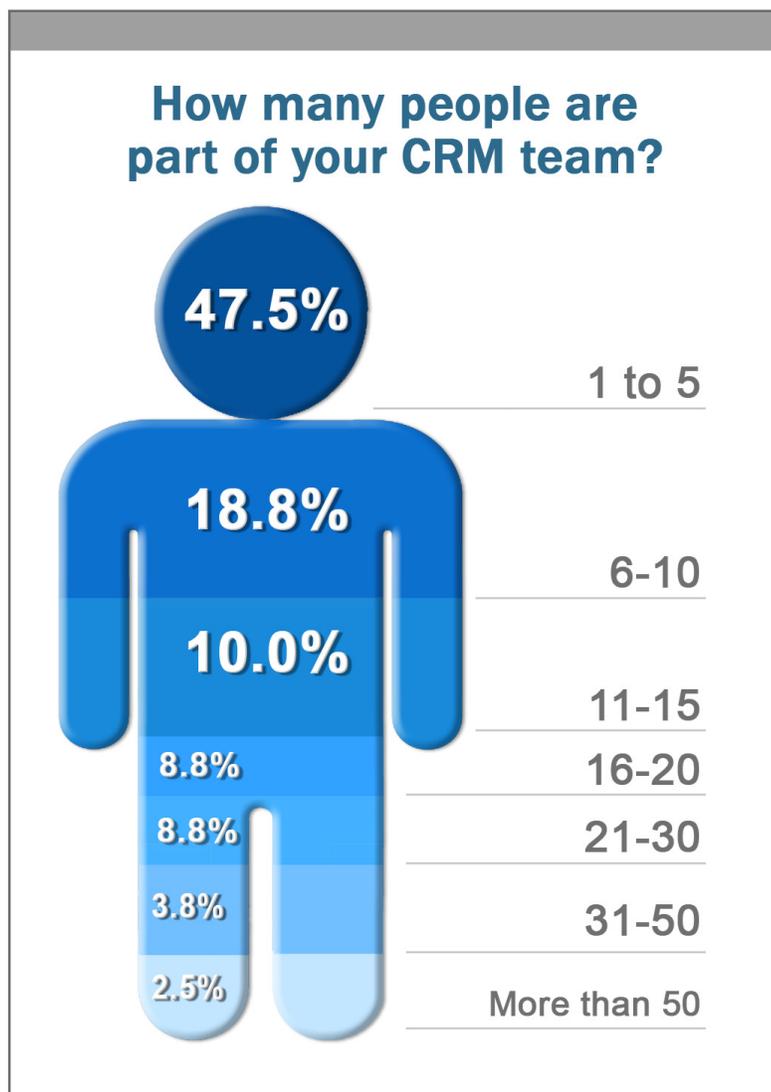
CHALLENGE #7 COORDINATING THE IN-HOUSE CRM TEAM

Deciding on the level of staffing when it comes to such an important investment as CRM is critical for retailers as they work toward moving the entire organization toward a more customer-centric, data-driven approach.

Today's in-house CRM teams tend to be small — nearly half of 2012 Retail CRM Survey respondent teams are five or less — both because small- to mid-sized retailers use SaaS-delivery systems (36%), or

others use third-parties to deliver elements such as loyalty management (45%), campaign management (39%) or customer database cleansing (59%).

Most CRM teams have a manager, which is the most common executive title for nearly three-quarters of 2012 Retail CRM Survey respondents. Two-thirds also have dedicated staff at the director level, and nearly half boast a CRM-focused vice president.



The explosion of **channel touch points** has made adopting **CRM solutions** that move retailers toward a single

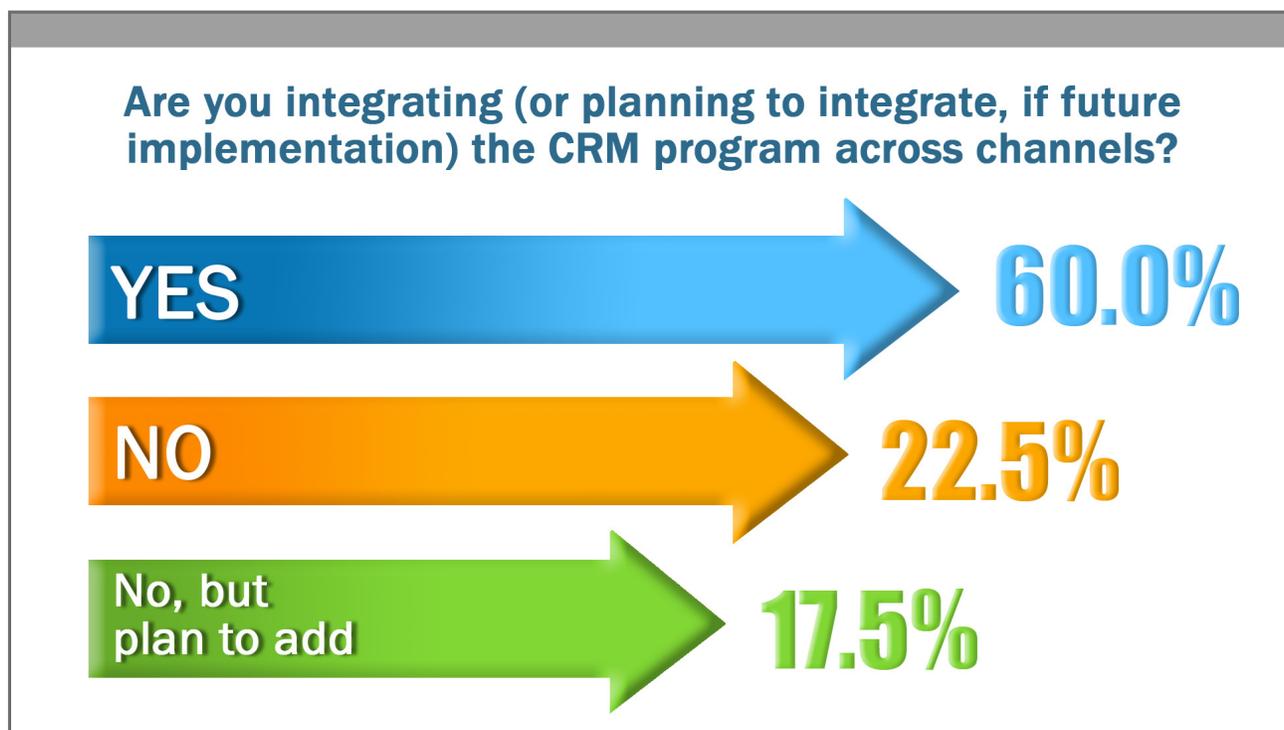
360-degree customer view

more important than ever.

CONCLUSION:

ARE RETAILERS READY FOR CROSS-CHANNEL CRM SUCCESS?

The explosion of channel touch points has made adopting CRM solutions that move retailers toward a single 360-degree customer view more important than ever, say experts. The **2012 Retail CRM Survey** clearly shows that today's retailer is aware of this. The majority of retail companies see the value of adopting CRM solutions and investing in CRM's multichannel capabilities, even in newer areas such as mobile and social CRM.



Coordinating the in-house CRM team is a **can't-skip step** toward transitioning the entire organization to a **customer-centric, data-driven** approach.

Committing to a systematic investment, however, is only the beginning of the CRM journey that will lead retailers to succeed in an era of fierce retail competition and fickle, hard-to-please consumers. The white paper highlights seven challenges retailers face as they move down the path toward enterprise-level customer-centricity and its related business rewards.

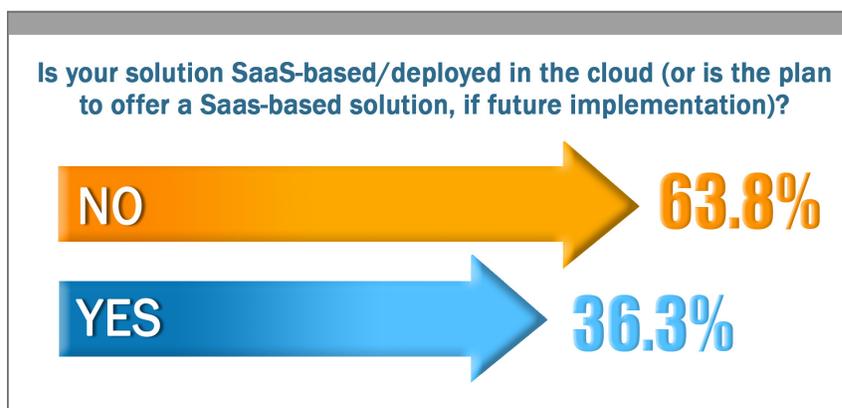
First of all, determining the ideal CRM system for a retailer's specific needs is essential, as is figuring out how best to take advantage of a wide range of data insights.

Optimally using the CRM system to manage the loyalty program is also a key goal for many retailers, as bottom-line sales are often tied directly to loyalty efforts. The next level, still in its nascent stages, is integrating social data into the CRM system and incorporating mobile technologies to allow non-desk employees to gather data on the

fly and use customer profiles to provide personalized service on the sales floor.

Dealing with multichannel communication challenges is also important, as retailers work toward connecting with consumers where, when and how they want to receive messages. Finally, coordinating the in-house CRM team is a can't-skip step toward transitioning the entire organization toward a customer-centric, data-driven approach.

Through the **2012 Retail CRM Survey**, we see that retailers are tackling a variety of challenges in order to compete and win in today's difficult landscape. As a whole, they are working toward meeting their goals of using a data-driven, single view of customers for the entire enterprise into a tool to boost customer-centricity and long-term loyalty.



2012 RETAIL CRM SURVEY

RESPONDENT DEMOGRAPHICS

Please describe your company's retail vertical.



Specialty Hard Goods

34%



Specialty Apparel

23%



Specialty Food & Beverage

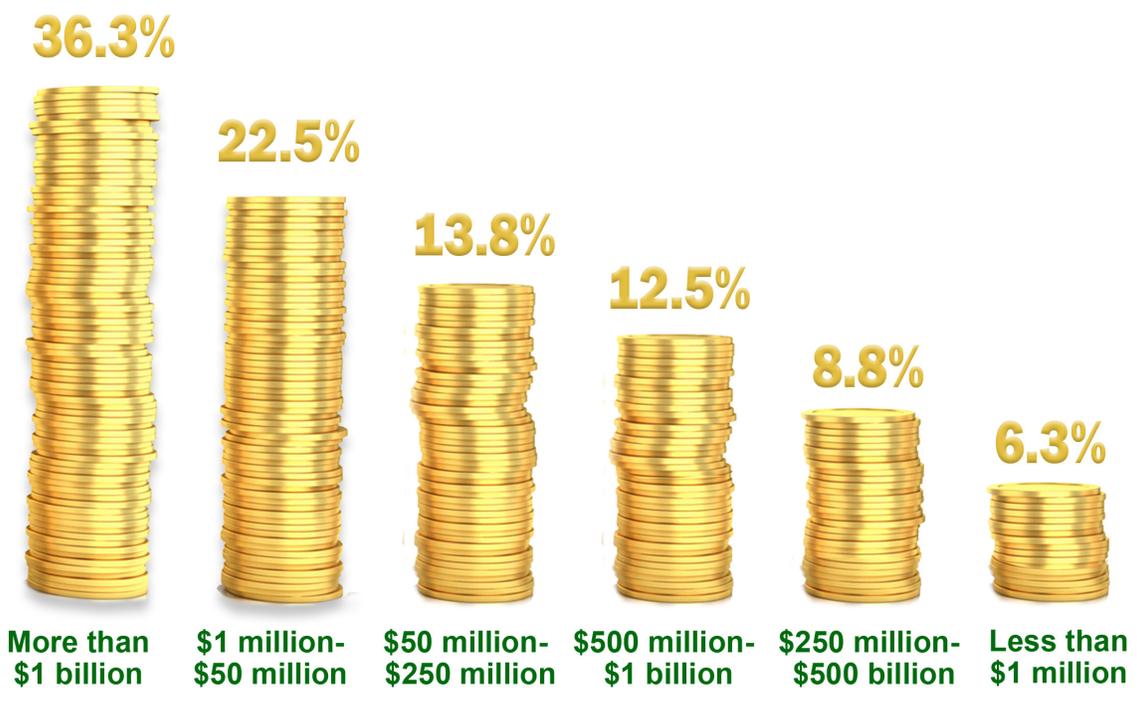
23%



Other

20%

What is your company's annual sales revenue?



How many stores does your company currently operate?



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