

***CONTINENTE ONLINE: STARTING A ONE TO ONE
MARKETING PROGRAM***

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To my Parents,

Thank you for everything.

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Lisbon, April 2013

Joana Filipa Castro de Amorim

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Abstract

The purpose of this thesis was to answer Sonae's MC, one of the biggest Portuguese retail companies, challenge to solve some of the identified problems at its online retail store – Continente Online, namely the low retention rate and the inexistence of a differentiated communication with its customers.

At the time this thesis was written, there was a huge lack of customer's information. As a consequence, the company did not have any clue about customer's characteristics, being, thus, impossible to segment and target them in a differentiated way, i.e., Mass Marketing was the strategy followed until then. To answer the identified problems, this thesis sought to launch the basis for a correct one-to-one marketing strategy, resorting to the framework developed by Don Peppers and Martha Rogers. This framework is constituted by 4 different stages: (1) identify the customers; (2) differentiate them; (3) interact; (4) and finally, adapt company's mechanisms based on the information collected in the previous steps - customization.

Hence, in a first moment a brief analysis of Continente Online's current situation was developed, namely how they positioned themselves in the market and the environment under which the company operated. Bearing this knowledge in mind, the framework was designed and the next steps necessary for a correct and effective implementation were defined.

Keywords:

- Customer Relationship Management
- Relationship Marketing
- One to One Marketing
- Retail

JEL Classification:

- M31 – Marketing
- L81 – Retail and Wholesale Trade; e-commerce

Sumário

O desenvolvimento desta tese partiu de uma proposta da Sonae MC, uma das maiores empresas de retalho Portuguesas, com o intuito de dar resposta a alguns problemas que a mesma tinha identificado na sua loja online – Continente Online, nomeadamente a baixa taxa de retenção e a existência de uma comunicação indiferenciada com os seus clientes. Existia um total desconhecimento dos clientes, não sendo, conseqüentemente, possível a comunicação com os mesmos de forma diferenciada, isto é, apenas se praticava *Mass Marketing*. Tentando dar uma resposta aos problemas identificados, pretende-se com esta tese criar as bases para a futura implementação de uma estratégia de marketing “*one-to-one*”, recorrendo-se à metodologia desenvolvida por Don Peppers e Martha Rogers. Esta metodologia consiste em 4 fases: (1) identificar os clientes; (2) diferenciar os mesmos; (3) interagir com estes; (4) e finalmente, adaptar as respostas da empresa com base na informação recolhida nos passos anteriores - customização.

Assim sendo, num primeiro momento realizou-se a análise da situação atual do Continente Online, a forma como o mesmo se posicionava no mercado, bem como o contexto em que o mesmo desenvolve a sua atividade. Com este conhecimento foi então desenvolvida a metodologia e definidos quais os próximos passos que a empresa deverá seguir para uma correta e efetiva implementação da mesma.

Palavras-chave:

- Customer Relationship Management
- Marketing Relacional
- One to One Marketing
- Comércio de Retalho

Classificação JEL:

- M31 – Marketing
- L81 – Retail and Wholesale Trade; e-commerce

Executive Summary

The purpose of this thesis was to answer Sonae's MC challenge to solve some of the identified problems at Continente Online, its online retail store. According to the company, and materialized by the analysis of the numbers, the main challenges the company faces are low customer retention levels and the inability to communicate with them in a differentiated way. Both these problems are consequence of an inefficient marketing strategy.

It was decided to start this thesis with an extensive literature review on the main topics necessary to understand the problem context, and to find a proper answer for Sonae's appeal. The most relevant topic of the literature review is Don Peppers and Martha Rogers' framework for developing a one-to-one marketing approach.

Then, a main overview of Continente Online's activity was developed, with main focus on the aspects that were relevant to the present project. The company was characterized in terms of its operating units, competitors and benchmark. Key numbers were produced in order to give a better sense on the company's reality. Continente Online has two different business segments with different behaviors: business customers that registered an increment in the average sale of 7%, and private customers that registered an opposite movement, a fall of 12%. The company's retention rate ciphered on 57,5%, a considerably low value. Once again business customers contributed positively to this value with a highest retention value – 66,6%. When evaluating the current STP strategy, it was found that the company did not apply any.

In the third chapter of the thesis one can find the core of this work. Based on the previously identified problems, Don Peppers and Martha Rogers framework for the implementation of a one-to-one approach was designed for the company. Three main objectives were set for the implementation of the framework: increase the loyalty level of the best customers; member get member campaign; and cross-selling opportunities. It is argued that the company should focus itself on the most profitable customers today – Diamond and Gold segments, as well as on the clients with the higher potential lifetime value – pregnant women, school-age children, and young people living alone.

In the first step of the Don Peppers and Martha Rogers framework – *Identify* your customers, the current registration process is described and a new proposal is developed. This new process eliminates some of the current questions and adds other relevant questions to identify pertinent segments and special consumer patterns. Another important work that was

performed in this framework's step was the definition of how we separate the regular customers from all the registers contained in the data base.

In the third point clients were *Differentiated* according to their value and needs. Most and less valuable clients were identified and Segments based on Psychographic criteria were defined. Several statistics were compiled, culminating in the development of a differentiation strategy for private and business clients.

In the *Interact* step, some suggestions in order to going further in the data analysis were exposed and was performed an analysis regarding complaints handling.

The last point, *Customization*, was not possible to address as a subject for this thesis.

Since this thesis objective was to launch the foundations to implement a one-to-one marketing approach, it was necessary to define the next steps for the company, after this design phase. It was argued that COL should focus itself on further developing and knowing their clients. After doing so, the company would be able to attribute each customer to the proper segment. Then, by computing the relevant statistics, the company will be able to understand specific characteristics or trends of each segment, effectively selecting the most valuable ones, and improving the share of wallet COL is able to capture. Finally, and in order to successfully implement the aforementioned framework, a member get member campaign is proposed, on the basis of crossing complaint's and client's information.

Concluding, Continente Online was a company without a clear marketing strategy. During the course of this thesis the basis for the implementation of a complete framework were developed. The bases were launched; implementing it accordingly, is the step ahead.

Abbreviations/Glossary

Abbreviations

- 1:1 Marketing – One-to-one Marketing
- APED – Associação Portuguesa de Empresas de Distribuição, meaning Portuguese Retailers Association
- CAE – Classificação de Atividades Económicas, meaning Economic Activities Classification
- CC – Contact Centre
- COL – *Continente Online*
- CRM – Customer Relationship Management
- INE – Instituto Nacional de Estatística, meaning National Statistic Institute
- JEL – Journal of Economic Literature
- LTV – Life Time Value
- S&C – Suggestions and complaints
- STP- Segmentation, Target and Positioning
- VAT – Value Added Tax

Glossary

- Advocates – Customers who enthusiastically recommend the company and its products and services to others (Kotler and Keller, 2006).
- Business Market - All organizations who acquire goods and services used in the production of other products (Kotler and Keller, 2006).
- Customer touch point - Any occasion on which a customer encounters the brand and product, from actual experience to personal or mass communications to casual observation.
- Data warehouses - Storage architecture designed to hold data extracted from transaction systems, operational data stores and other external sources, (Gartner Research).
- First-line Employees – all those employees that contact directly with customers. They are the ones representing the company from a customer perspective.
- Opinion leader - person in informal, product related communications, who offers advice or information about a specific product or product category.
- Questionnaire - Set of questions presented to respondents.

Definition of the Problem Context

The purpose of this section is to give some context to this work, namely to explain how the opportunity of doing it appears, what the starting point was and which objectives were defined for it.

Sonae is one of the biggest Portuguese economic groups, mainly associated to its retail companies. Every year Sonae contacts the major Universities of the country, giving the students the opportunity to apply for internships in different companies of the group, those that previously had defined a problem that want to be the research topic of a master thesis.

Continente Online, the company that is the focus of this project, is the online retail store of the group. I have applied for working in the “client lifecycle”, the only information given at the application time, and soon realize that the main goal was to change the Marketing paradigm used until then in the company.

The reason why I had defined as purpose of this thesis to build the foundations needed to starting a one to one Marketing approach was mainly the lack of information about the client that they had. Despite the fact that the company’s activity provide a huge opportunity to collect information and know better the customer than most of the companies, almost none information was collected or used. Bottom line, they did not know the client and because of that only mass communication was done.

Besides that, right at the first day, the responsible for my internship said something that I chose as a good summary of my challenge: “We need to stop working based on assumptions. We think we know what is going on in our business regarding clients but we actually don’t. We know that we have a huge churn rate but we do not have a number for that and we need to invert this tendency and start retaining more customers.”

Therefore, and after discussion with my supervisor, it was decided to apply the Don Peppers and Martha Rogers framework, explained at the point 1.4. of the literature review, as the basis of all work. So, throughout the four steps which compose the framework for implement a One-to-One Marketing Program, it was tried to better illustrate the business, namely regarding clients, and to give management the tools necessary to better decide and invert the tendency registered until now.

Methodology

The first thing that it was needed to do when I started this work was to understand the business. For that I spent three weeks between the call centre, the shop and the other areas in Matosinhos, making questions, asking about the main difficulties, collecting feedback from the customers throughout the employees' experience, and learning a lot about the daily tasks that make COL's work.

After collecting the information that I needed, I started by deciding which framework would be suitable to apply in order to reach the necessities identified and build the "skeleton" of this work, meaning which would be my steps. My choice was the Don Peppers and Martha Rogers framework of a 1 to 1 Marketing Program that is composed by four steps: Identify your customers, Differentiate them, Interact and finally Customize your behaviour regarding the information that you collect in the others steps.

The first step after collecting some feedback and defining the framework was to create the metrics to organize the data base. Identify all Business clients and Tests of the Clients Data Base was a hard task once it was needed to check one by one all the registers. At the same time and in order to segment the Business clients, throughout the INE website, it was identified the CAE of each client by its NIF or company name. This work took several weeks but there was not at that time another way to do it.

Secondly, it was imperative to create metrics to define who the clients were, how we classify them resorting to some variables defined with the contribute of the managers, and set the moments in time when the analysis should be updated, in order to continuously have the data base accurate and updated.

Thus, after defining the metrics to classify the clients, it was started the relevant analysis. It is important to refer that one of the biggest challenges was the technologies available to perform the data analysis. All the data was in excel documents with a huge size which turn the work much more difficult. Some analysis were performed using Microsoft Access software, always having in mind the assumption that this is a work with the goal of providing tools for the company. Hence everything had to be discussed with the manager and with the person who will perform the regular extraction of data.

At the end, new ways to improve and continue the present project were identified but because of the projects' duration, they were not included in the scope of this work.

Chapter | 1

Literature Review

The literature review wants to provide the intellectual context, build knowledge for the work and situate it within the field.

1.1. The Relevance of 1:1 Marketing

We can say with some confidence that “the marketplace isn’t what it used to be.” It is radically different as a result of major, sometimes interlinking societal forces that have created new behaviours, new opportunities, and new challenges.

Kotler, 2006

This statement by Kotler, although written 7 years ago, is still an irrefutable truth about marketing, and is consequently still very current. An evidence of that are the recent statements published and quoted below:

Companies used to focus on making new, better or cheaper products and services. . . . Now the game is to create wonderful and emotional experiences for consumers around whatever is being sold. It’s the experience that counts, not the product... People... want capabilities and options, not uniform products business is there to provide the tools.

Business Week, December 19, 2005

We have to create a great experience every time you touch the brand, and the design is a really big part of creating the experience and the emotion. We try to make a customer’s experience better, but better in her terms.

A. G. Lafley, CEO, Proctor & Gamble

1.1.1. Customer Empowerment

Today customers are more demanding. They expect higher product quality, higher service standards and lower prices, combined with higher customization possibilities. As Kotler and Keller put it, “(...)they are more and more time-starved and want more convenience. They perceive fewer real product differences and show less brand loyalty. They obtain extensive product information from the internet and other sources”

This represents a huge change that has been happening in the marketing paradigm. From a more company oriented approach, to a bigger customer oriented, companies now understand that the world has changed (appendix 1.1.).

1.1.2. Customer Oriented Organizations

“Today, companies face their toughest competition ever. Moving from a product and sales philosophy to a marketing philosophy, however, gives a company a better chance of

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outperforming competition. And the cornerstone off a well-conceived marketing orientation is strong customer relationships.”

Kotler and Keller, 2006

The images bellow shows the transition from an obsolete organization chart, where customers were viewed as the profit instrument of the company to an ideal current organizational chart – completely client oriented. The most important thing is the customer and then front-line people, who actually serve the company’s customers. All other organizational areas should also be customer oriented and support the activities needed by the front line people.

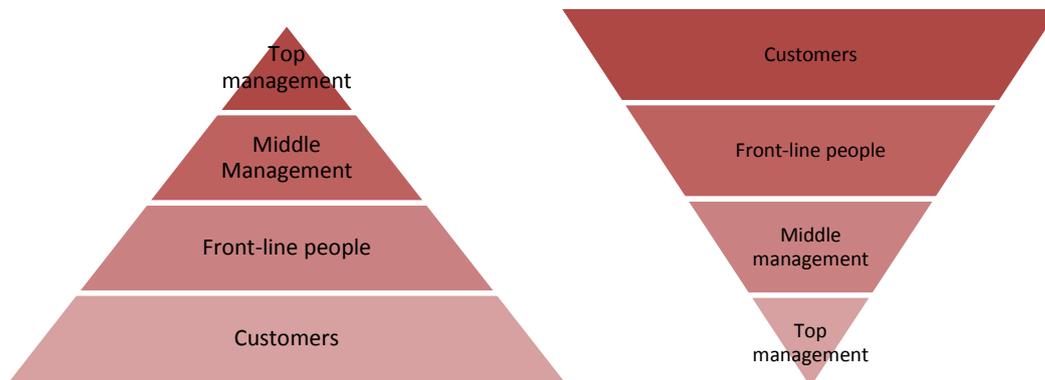


Exhibit 1 – Customer Oriented Organization vs. Product Oriented (Kotler and Keller, 2006)

1.1.3. Important Dichotomies to consider

Kotler and Keller defined three orientations that nowadays any manager should have in mind:

- ***From selling to everyone to trying to be the best firm serving well-defined target markets.***

Companies are now able to gather complete information on their clients and are now able to shift their focus to the most profitable customers, without a complete disregard for the less profitable.

- ***From focusing on profitable transactions to focusing on customer lifetime value.***

Normally companies try to obtain the maximum value in each transaction. Nevertheless, significant value can be appropriated by the company by focusing on client retention – lifetime value.

- ***From a focus on gaining market share to a focus on building customer share.***

Though market share plays an important role for any company, marketers are now focusing more on value creation through existing customers, by increasing their *share of the customers’ wallet*.

1.1.4. Retail's specific case

A worthwhile research report that explores this topic and can be a huge contribution to better understand the relevance of this work was written in 2007 by Carlson Marketing and Peppers & Rogers Group and is called "Getting It Right in Retail". In this white paper the authors advocate the idea that, given the tougher environment retailers face today, the most reliable way for a retailer to differentiate itself is through relationships. The authors sought to answer to three important questions:

1. *Do customers have relationships with retailers?* To this, based on a study conducted in the U.S, the answer was a resounding yes.
2. Then, knowing that there are different levels of relationships, they tried to answer the question: *Does it matter?*
3. Finally, they answered the question "*What needs to be done to create and maintain customer relationships?*".

First of all, Carlson Marketing defines relationship strength as "*...the ability of the ongoing exchange between a company and a customer to grow and endure, and to resist any damaging forces that might destroy it*". They also add that strong relationships are characterized by:

1. **Trust.** "*...a belief that the company has the best interest of the customer at heart ...*";
2. **Mutuality and Alignment.** "*...a two-way affiliation resulting in a rewarding experience which meets mutual expectations ...*";
3. **Commitment.** "*...an enduring emotional attachment to the relationship*".

Does it matter that customers have a relationship with the retailer?

Without doubt, it is possible to answer this question with a yes.

After finding some evidence of the importance of strong relationships, the authors sought to quantify the benefits of such relations in terms of recommending the retailer to friends and family, intention to remain a customer, and likelihood to shop more. Evidence showed an 82% superiority for recommending the company to friends and family, "*...among customers having a high versus a low level of relationship strength*"; intention to remain customer is raised by 49% for those customers with high compared to those with low levels of relationship strength; and 55% for the likelihood to shop more. All these effects are considerably correlated. Hence, "*...when a relationship is strengthened, all three outcomes*

will improve". When looking at a composite of the three outcomes, relationship strength explains 44% of the variability of the composite.

How to maintain a strong Relationship?

Finally, the authors address the third question "*What needs to be done to create and maintain customer relationships?*". According to them, the answer is straightforward and is to "*treat different customers differently*". Among the techniques investigated, the most effective are "*...loyalty programs and the enhancement of the customization, relevancy and frequency of customer communications*".

To what loyalty programs is concerned, the authors found relevant impact on business results: 63% say that when enrolled in a loyalty program, they use products and services from that retailer more often; 33% reported that they have purchased supplementary products from retailers with a loyalty program; and finally, 57% would join a retailer's loyalty program if the retailer offered one.

In terms of communication, the authors state that "*...retailers should focus on enhancing the customization and relevancy of communications and adjusting their frequency to match each individual's preferences*". On average, a shift in communication from low to high (much customized), increases the relationship strength by 37%. By moving the appreciation of the customer about communication from a state of irrelevant to relevant, increases customer's relationship strength also by 37%, the propensity to recommend the retailer by 42%, and the intention to remain a customer by 35%. Communication frequency is said to have a non-linear association to relationship strength. When grouping these three effects (customization, relevance and frequency) into a composite, "*...a high as compared to a low level of 1to1 communication enhances relationship strength by 25%*", recommending the retailer by 30%, remaining customer by 18% and shopping more by more 18%.

1.2. Holistic Marketing

The marketing concept emerged in the 1950's, when businesses started to shift from a completely product centred approach to a much more customer oriented viewpoint. With regard to the dichotomy sell vs. marketing, Theodore Levitt (1960) wrote:

"Selling focuses on the needs of the seller; marketing on the needs of the buyer. Selling is more preoccupied with the seller's need to convert his product into cash; marketing with the

idea of satisfying the needs of the customer by means of the product and the whole cluster of things associated with creating, delivering and finally consuming it.”

Along the years the concept of marketing has evolved. The holistic marketing concept is based on “(...) *the development, design, and implementation of marketing programs, processes and activities that recognizes their breadth and interdependencies. Holistic marketing recognizes that “everything matter” with marketing and that a broad and integrated perspective is often necessary.*” (Kotler and Keller, 2006).

1.2.1. Components of Holistic Marketing

Kotler and Keller propose four components for holist marketing (appendix 1.2.):

Internal Marketing: Internal Marketing, according to the authors “*..is the task of hiring, training, and motivating able employees who want to serve customers well.*” Marketing activities within the company can be as important as marketing activities directed to outside customers. All departments within a company must embrace marketing and should also “*think customer*”.

Integrated Marketing: The marketers’ objective is to create fully integrated marketing programs in order to deliver the best value proposal to consumers. Marketeers must, thus, fully acknowledge and implement all the set of activities and decisions necessary. The best way to describe the wide range of marketing activities is through the marketing mix, defined by McCarthy, as shown in appendix 1.3.

The marketing mix is important from a seller’s point of view. Robert Lauterborn (1990) suggested that seller’s 4 P’s correspond to clients 4 C’s: Product – Customer Solution; Price – Customer Cost; Place – Convenience; Promotion – Communication.

Social Responsibility Marketing: Marketing causes and effects extend well beyond the company and the customer relationship, affecting society as whole. Bearing this in mind, social responsibility requires marketers to carefully consider the role they play in influencing social well-being. Moreover, “*cause-related marketing*” may also be seen by companies as a way to increase brand awareness, customer loyalty, hence positively affecting company’s sales and reputation.

Relationship Marketing: Has the objective of “*...building mutually satisfying long-term relationships with key parties – customers, suppliers, distributors and other marketing partners, in order to earn and retain their business*” The authors still add that “*Rich,*

multifaceted relationships with key constituents create the foundation for a mutually beneficial arrangement for both parties” (Kotler and Keller, 2006).

The development of this dissertation was mainly focused on the relationship marketing. In *Continente Online*’s reality, this was the less developed holistic marketing component, and the one, I believe, could answer to the aspects that were exposed to me as the main problems felt.

1.2.2. A Holistic Marketing Orientation and Customer Value

One conception of holistic marketing views it as “...*integrating the value exploration, value creation, and value delivery activities with the purpose of building long-term, mutually satisfying relationships and co-prosperity among key stakeholders.*” (Pew Internet and American Life Project Survey, 2000). In order to achieve profitable growth, thus, a company should expand its customer share, build customer loyalty and capture considerable lifetime value. According to Kotler and Keller, the three dimensions are characterized as follows: **Value Exploration:** Developing strategies for value exploration requires a complete understanding of the relationships and interactions between the customer’s cognitive space - existing and latent needs, and company’s competence space.

Value Creation: After identifying value opportunities, the company needs value creation skills: “...*identify new customer benefits from customer’s view*”; use company’s core competencies; “...*select and manage business partners*”. Besides a clear understanding of clients’ needs, the company needs to maximize its core competencies. To do so, the company may follow three steps: “... *(re)defining the business concept (the “big idea”); (re)shaping the business scope (the lines of business) and/or (re)positioning the company’s brand identity (how customers should see the company).*”

Value delivery: The use of company’s capabilities and infrastructures to deliver value. The company must become highly competent at *customer relationship management* (developed in more detail below) and *internal resource management*, which allows the company to handle complex relationships with its trading partners to source, process, and deliver products.

1.3. Customer Relationship Management

CRM is a objectively recent management concept, first used and defined by software companies. In their first software versions, Siebel Software defined CRM as:

“CRM is as integrated approach to identifying, acquiring and retaining customers. By enabling organizations to manage and coordinate customer interactions across multiple channels, department lines of business and geographies, CRM helps organizations maximize the value of every customer interaction and drive superior corporate performance.”

Francis Buttle, 2009

According to the paper “What Really Defines Relationship Marketing” (Dec. 2011), relationship marketing and Customer relationship marketing have been used *interchangeably*. However, differences exist, as highlighted by Sin, Tse, Yau, Chow and Lee (2005). According to them, CRM is defined as a subset of relationship marketing.

Kotler and Keller defined CRM *“...as the process of managing detailed information about individual customers and carefully managing all customers’ “touch points” to maximize customer loyalty”*.

1.3.1. CRM Pitfalls

An interesting paper worthwhile exploring, written by Bang Nguyen, from Oxford University, called “The Dark Side of CRM” (2011), identifies 5 common pitfalls: (1) the *one-to-one dilemma*, (2) *selecting and favouring customers*, (3) the *relationship symmetry*, (4) *monitoring, tracking and using customer behavioural data*, and (5) *neglecting the relationship trust*.

The one-to-one dilemma

Many times when companies build learning relationships and tailor or customize their products according to the specific needs of a customer, according to the information the company receives, they are actually delivering *“different outcomes to different customers”*. The consequence may be that *“other clients become aware of this and start penalizing the company”*. With the existence of social networks, this risk is even larger.

Selecting and favouring customers

Favouring customers enable firms to increase the attractiveness of their offerings to a certain group and thus, increase the potential for creating cross-sales or up selling. However, targeting schemes also involve a paradox, that, if not well addressed can seriously damage a company. Because firms now have the possibility to select the customers they want to serve, favouring those who are more profitable, may lead customers to feel disadvantaged and consequently, choose to *“...opt out of their buyer-seller relationships.”*

Relationship Symmetry

CRM has been seen as a “*pie-splitting mechanism*”, where some companies have focused on creating value to the firm, leaving the customer with less value. Many times *customer-firm relationships* have been seen as a *one-sided development* for the benefit of the company.

Monitoring, tracking and using customer data

“*The term information reciprocity is the idea that customers give a firm their information in return for customised offerings.*” These customized offerings are supposed to create value not only for the company but also to the customer. However, by having this information, companies may decide to target specific customers to the expense of other. Bottom line, some customers may not be willing to give away their personal and valuable information, since there is no assurance they will benefit from it.

Neglecting the relationship trust

The relationship between companies and customers creates some trust issues. If a firm fails to consider these issues of trust, potentially, CRM activities will cross the line in terms of what the consumers consider as being fair. “*As a result, this may decrease trust in firm activities and cause dissatisfaction and loss of potential key advantages*” (Deighton, 2005). Particularly, “*...customers who believe that firms are exploiting their data or acting in ways against the social norm*”, will avoid delivering their data.

1.4. One to One Marketing

“*Treating different customers differently.*”

Don Peppers and Martha Rogers

Don Peppers and Martha Rogers outlined a four step framework for one-to-one Marketing that can be classified as a type of relationship marketing, which main purpose is to help companies creating more loyal and profitable customers and to protect their unit margins from destruction.

“*Carlson Marketing defines relationship strength as the ability of the ongoing exchange between a company and a customer to grow and endure, and to resist any damaging forces that might destroy it*”.

Carlson Marketing (2007)

One-to-one marketing is based on the idea that the company must address the different needs of individual customers. A true 1to1 enterprise considers the management of customer

relationships as one of the most critical points a business faces, because recognizes these relationships as relevant determinants of the long-term profitability and success of the company (Kotler and Keller, 2006).

According to Don Peppers and Martha Rogers the implementation of a 1 to 1 marketing program, has a four steps structure, defined in more depth below (Don Peppers and Martha Rogers, 1999).

1.4.1. Identify

“Identify your prospects and customers: do not go after everyone”. Any company should build and maintain a rich customer database with information acquired from all the channels and customer *touch points*. It is crucial to know your customers in as much detail as possible (Peppers and Rogers, 1999).

In order to reach this objective, Don Peppers and Martha Rogers select as priority in this step to *“...create a system that enables you to identify customers as individuals each time you come in contact with them”*.

1.4.2. Differentiate

In order to accomplish the main goal of a One to One Marketing Program it is needed to know what makes one customer different from another. The Differentiate step sets the stage for how the company actually behaves toward and individual customer (Rogers and Peppers, 1999).

Differentiate customers in terms of their needs and their value to the company is this step's goal. According to Don Peppers and Martha Rogers *“The value of a customer relative to other customers allows the enterprise to prioritize efforts, allocating more resources to ensuring that more valuable customers remain loyal and grown in value. And catering to what a specific customer needs is the basis for creating a relationship and winning the customer's loyalty”*

1.4.3. Interact

The next step is to improve both the cost-efficiency and the effectiveness of all possible interactions with customers. Interact with individual customers so that your knowledge about their individual needs is improved, and stronger relations are built. Formulate customized offerings so that the company is able to communicate in a personalized way.. Any contact with a customer should have in mind that *“...a conversation should pick up where the last one left off”*. (Peppers and Rogers, 1999)

1.4.4. Customize

After knowing the customer, a company should customize all the possible aspects of the enterprise's behaviour towards the customer, based on customer's needs and value. This means that it is needed to treat a particular customer differently based on what that customer said during an interaction with the sales or marketing part of the firm.

Customization

Customization is a “...*company's ability to produce individually differentiated goods*”. Companies with this ability will be able to deliver personalized value propositions, with the conscience that one size “*does not feet all customers*” (Kotler and Keller, 2006).

Customization has been the rule in the B2B business for many years, with both suppliers and clients adapting themselves to each other. On the other hand, companies in a B2C have traditionally offered more mass market standardized products. Nevertheless, a growing number is now evolving into a new concept, a mix between customization and mass production called mass customization (Francis Buttle, 2009).

With this is mind, it is now important to clarify two different concepts: *craf-customization* vs. *mass-customization* (Francis Buttle, 2009). The first implies that companies can offer differentiated products to each customer, “...*but not at a mass market level*”. The later, as Francis Buttle puts it, “... *...is the use of flexible processes and organizational structures to create varied, and even individually tailored, value propositions, with neither a cost nor a lead time penalty.*”. This concept comes from the thought that clients want their needs to be met, but not always want to make a time consuming choice, as time lost ads to the cost of the product.

Computer software as well as powerful databases, flexible manufacturing operations and supply chains, modular product design, among other developments, permitted companies to follow this new strategy, without the cost of dramatically reducing their client base (Francis Buttle, 2009).

Amazon is a clear success case in mass customizations. Through a complex and powerful CRM architecture Amazon has been able to consistently retain and grow their client value. It was only possible by customizing offers based on previous choices or searches conducted by registered users. This customization was unusual in the internet businesses back then,

guarantying them a strong competitive advantage in the internet retail market (Francis Buttle, 2009).

1.5. Marketing Information Systems

The Marketing Information System (MIS) has a huge importance when we are talking about Relationship Marketing once it is what allows us to collect, maintain and use the data about our customers and transform that in valuable information about them.

All companies gather a huge amount of information that can be useful, if carefully treated, to reach customers effectively. There is also information and external variables that all companies need to monitor continuously. In order to facilitate this time consuming activity, some firms have developed marketing information systems that provide managers with rich information about buyer wants, preferences and behaviours. *“Companies should study their manager’s information needs and design marketing information systems to meet these needs”* (Kotler and Keller, 2006).

A marketing information system consists of people, equipment and procedures to gather, sort, analyse, evaluate and distribute needed, timely and accurate information to marketing decision takers. The company’s marketing information system should be a cross between what managers thinks they need, what managers really need, and what is economically feasible.

Kotler and Keller, 2006

According to some authors, the MIS is composed by four components: *Internal records, Marketing intelligence system, Marketing Research and Marketing Decision Support Systems* (Kalyan City Life, 2013) (see appendix 1.4.).

1.5.1. Marketing Intelligence System

A marketing intelligence system is *“... a set of procedures and data sources used by marketing managers to sift information from the environment that they can use in their decision making”* (FAO – Food and Agriculture Organization of the UN). Without accurate and dated information, managers will not know which customer to target, when, their preferences, losing market and ultimately conducting the company into bankruptcy.

The company may take several steps to improve the quality of its marketing intelligence (Kotler and Keller, 2006):

- *“Train and motivate the sales force to spot and report new developments”;*

Starting a One to One Marketing Program

- “...motivate distributors, retailers and other intermediaries to pass along important intelligence”;
- “...take advantage of government data resources”;
- “...purchase information from outside suppliers”;
- “...use online customer feedback systems to collect competitive intelligence”.

1.5.2. Customer Databases and Database Marketing

Companies should gather information on a customer in each and every contact it establishes with the customer - *customer touch point*. This information collected by the company's contact centre and other channels, namely throughout a Marketing Intelligence System, should be organized in data warehouses.

Database marketing is “...the process of building, maintaining, and using customer databases and other databases (products, suppliers, resellers) for the purpose of contacting, transacting, and building customer relationships” (Kotler and Keller, 2006).

Customer Databases

A common mistake is to confuse customer mailing lists with customer databases. A customer mailing list is only a set of names, addresses, and telephone numbers. A customer database, on the contrary, contains much more information, “...accumulated through customer transactions, registration information, telephone queries and every customer contact” (Kotler and Keller, 2006).

A **customer database** is, thus, “...an organized collection of comprehensive information about individual customers or prospects that is current, accessible, and actionable for such marketing purposes as lead generation, lead qualification, sale of a product or service, or maintenance of customer relationships” (Kotler and Keller, 2006).

According to Kotler and Keller ideal customer databases should contain: *demographics* (as age, income, family members, birthdays), *psychographics* (activities, interests, and opinions), *mediagraphics* (preferred media), “...past purchases, *past volumes, prices and profits, buyer team member names(...), status of current contracts, an estimate of supplier's share of the customer's business, competitive suppliers*” (Kotler and Keller, 2006).

1.5.3. Data Mining

Data mining is the process of analyzing data from different perspectives and summarizing it into useful information.

Jason Frand, UCLA

Through data mining, marketing managers can extract valuable information about individuals, specific trends and segments from the mass data. Data mining involves the use of “...*sophisticated statistical and mathematical techniques such as cluster analysis automatic interaction detection, predictive modelling, and neural networking.*” (Peter R. Peacock, James Lattin, Doug Carroll, and Paul Green, 1979).

Resorting to these databases (customer databases, product data bases, and salesperson databases), and through data mining companies are able to target their customers based on specific criteria of interest. By doing so, companies reduce costs (do not need to target all clients), and *increment the response rate* (by targeting only the clients that can actually profit from a specific product, information, etc.). Moreover, by “*mining*” this data companies may get fresh insights into, until then, neglected customer segments, recent customers’ trends, and other important information. Customer information can and should be crossed with product and salesperson databases to obtain even more valuable information (Kotler and Keller, 2006).

Data has only value when if it can be used. Business integration (BI) software “...*is designed to analyze and interpret massive quantities of data, cutting out giant databases into “data marts” – smaller clusters of similar information. Breaking information makes it easier to diffuse information across the organization*” (Julie Schlosser, 2003).

Using the Database

Generally speaking, companies can use their databases in five different ways (Kotler and Keller, 2006):

1. ***To identify prospects***: many companies generate sales leads by advertising their product, and introducing a response feature. They gather this information and then can use it to identify the best prospects for the company.
2. ***To decide which customers should receive a particular offer***: companies are much interested in selling, up-selling and cross-selling. By setting up the correct criteria the company can sort the ideal target customer for a specific offer.
3. ***To deepen customer loyalty***: companies can build interest and enthusiasm by remembering customers; by sending the adequate gifts, discount coupons, and other material.
4. ***To reactivate customer purchases***: companies can install automatic mailing programs that send attractive and timely offers to clients.

5. To avoid serious customer mistakes.

1.5.4. Research approaches

A lot can be learned by looking at clients and analysing the customer purchase behaviour – *behavioural research*, by conducting mass surveys – *survey research*, or by gathering and studying answers by a small group of people with different backgrounds – *focus group research*. The first type of research is typically much more useful since it reflects exactly customers' needs, in oppositions to answers that may be studied or influenced (Kotler and Keller, 2006).

Another type of research is *experimental research*. Kotler and Keller classify it “...as the most scientifically valid research”. The rationale of experimental research is “...to capture cause-and-effect relationships by eliminating competing explanations of the observed findings.”. As the design and execution of the experiment eliminates alternative hypotheses explaining the results, marketing managers can be more confident on the answers they obtain (Kotler and Keller, 2006).

The most used research instrument is the questionnaire, given its incredible flexibility. Questionnaires need to be carefully planned and constructed, before they are mass administered. Otherwise, answers may not be useful, or, even worse, may conduct to wrong insights. There are two more instruments, not so relevant for this thesis: qualitative measures and mechanical devices (Kotler and Keller, 2006).

1.5.5. Barriers to the use of Marketing Research

Christine Moorman, Gerald Zaltman and Rohit Deshpandé (1992) describe some obstacles to the use of marketing research. The first is the misconception of the research purpose. Manager may fail to accurately define the purpose of the research, and with that, questionnaires and other instruments may be used in a wrong way. Secondly, some managers see marketing research as little more than a *clerical activity* and contract less competent marketing researchers to perform it. By doing so, results may be poorer and reinforce management's prejudice against marketing. Thirdly, managers want results very quickly. However, good research takes time. Because of that, managers' faith in marketing may fade away. Finally, the different personality and presentational differences between managers and marketers may interfere in the construction of good relationships (Kotler and Keller, 2006).

1.6. Segmentation, Targeting and Positioning

According to literature by Kotler and Keller, since not everyone enjoys the same products or services, marketers must start by dividing the market into well define groups – *Segmentation*. After segmenting and describing accurately customers, marketers must decide which ones to target (typically the most attractive ones) - *Targeting*. For each segment, the company should then develop a proper and valuable marketing offering, *Positioning* itself on customers' minds.

“A company cannot connect with all customers in large, broad, or diverse markets. Consumers vary on many dimensions and often can be grouped according to one or more characteristics. A company needs to identify which market segments it can serve effectively. Such decisions require a keen understanding of consumer behaviour and careful strategic thinking.”

Kotler and Keller, 2006

In mass marketing a company engages in mass production, mass distribution and mass promotion of one standardized product. In the opposite way, a market segment “...consists of a group of customers who share a similar set of needs and wants” (Kotler and Keller, 2006). The marketer does not create the segments. His/her task is to competently identify the existing segments and decide which ones to target. Typically segmentation offers some important benefits against mass marketing, namely by better addressing customer needs. Two broad groups of variables are used to segment markets. Some segments customers based on descriptive characteristics as geography, demographics or psychographics. Other researchers try to form segments looking at behavioural considerations, such as consumer responses to benefits, use occasions, or brands. In the next three points the scope of these criteria will be better explained (Kotler and Keller, 2006).

1.6.1. Traditional Segmentation Criteria

The geographic and demographic segmentation has been used for many years and could be classified as the traditional segmentation criteria.

Geographic Segmentation

Geographic Segmentation divides the market based on different geographical units such as nations, states, regions, cities.

Demographic Segmentation

Demographic Segmentation call for dividing the market based on characteristics such as age, family size, family life cycle, gender, income, occupation, education, religion, race, generation, nationality and social classes.

But as it is known, these types of criteria, despite of the huge importance they have, are not the ones that most explain customer's behaviour. Nowadays marketers understand that more than the country, age or occupation, is the lifestyle that has a major impact on customers' consumer patterns.

1.6.2. Psychographic Segmentation

In order to minimize errors and to better explain some customer's behaviours, it was development another descriptive segmentation criteria, the Psychographic segmentation (Kotler and Keller, 2006).

Psychographics is *"...the science of using psychology and demographics combined in order to better understand consumers. In psychographic segmentation, buyers are divided into different groups on the basis of psychological/personality traits, lifestyles, or values."* (Kotler and Keller, 2006). The authors further add that people in the same demographic group can exhibit different psychographic profiles, and be segmented accordingly.

Once *psychographic segmentation* has a relevant "psychological" part involved, it is important to analyse the Consumer Behavior definition and the causes of the different behaviours in clients with the same geographic and demographic characterization.

Consumer Behaviour

"Studying consumers provides clues for improving or introducing products or services, setting prices, devising channels and developing other marketing activities."

Kotler and Keller, 2006

According to the same authors, consumer behaviour *"...is the study of how individuals, groups and organizations select, buy, use, and dispose of goods, services, ideas, or experiences to satisfy their needs and wants"*.

A person participates in several groups. The person's position in each group can be defined in terms of **role and status**. Role consists of the activities a person is expected to perform. Each

role carries a status. People tend to choose products that reflect and communicate their role and actual or desired status in society.

According to Kotler, consumer behaviour is influenced by cultural, social, and personal factors.

1. Cultural factors

Culture “...is the fundamental determinant of a person’s wants and behaviour”. Each culture consists of smaller subcultures that provide more even more specific identification to their members. Multicultural marketing rose when marketing research proved that some ethnic and demographic niches did not always respond favourably to mass-market advertising (Kotler and Keller, 2006).

Another relevant concept is related to social stratification. All human societies exhibit some form of *social stratification*. Frequently it takes the form of social classes, defined as “...relatively homogeneous and enduring divisions in a society, which are hierarchically ordered”. Knowing the reality of the environment a company is in reveals itself of great value (Kotler and Keller, 2006).

2. Social factors

Besides culture, consumers are also influenced by social factors such as reference groups, family, and social roles and statuses.

A reference group is any group that has a direct or indirect influence on consumers’ attitudes and behaviours. Groups with a direct influence are called *membership groups*. Some of this membership groups are primary groups, such as family, friends, co-workers. People can also be categorized based on *secondary groups*, as religious, professional, and trade-unions. People are also influenced by groups to which they do not belong. *Aspirational groups* are those one hopes to join, and *dissociative groups*, those whose values or behaviour an individual rejects (Kotler and Keller, 2006). Marketers in societies where influence groups play an important role should try to reach and influence *opinion leaders*.

Family is “...the most important consumer buying organization in society, as family members constitute the most influential primary reference group”. The *family of orientation* consists of parents and siblings. *Family of procreation* – spouse and children, have the most powerful influence on an individual. The concept of family has rapidly evolved all over the world. Big families were substituted by smaller families, sometimes constituted only by a single person.

Marketers may also pay more attention to the increasing power children and teenagers have on direct or indirect buys (James U. McNeal, 1998). Some interesting statistics about the Portuguese society can be found in appendix 1.5.

3. Personal Factors

A buyer's behaviour is also influenced by personal characteristics such as *age and stage in the life cycle, occupation and economic circumstances, personality and self-concept, lifestyles and values*, among others. Given their impact on consumer behaviour it is important that marketers follow them closely and understand their implications to consumption habits (Kotler and Keller, 2006).

Age and stage in the life cycle: people buy different things over a lifetime. Consumption is also shaped “...by the family life cycle and the number, age, and gender of the people in the household at any point in time”. Critical life events or transitions such as marriage, childbirth, illness, divorce, should also be considered by marketers, given their impact on individuals.

Occupation and economic circumstances: the products a person chooses are greatly affected by economic circumstances, namely by available income, savings, and assets, debts and attitudes towards spending and saving.

Personality and self-concept: personality means “...the set of distinguishing human psychological traits that lead to relatively consistent and enduring responses to environmental stimuli”. Personality can be a useful variable in analysing consumer brand choices. Since brands also have personality and typically people will opt for brands whose personality matches their own (both those consistent with their own actual self-concept or ideal self-concept), personality can prove to be a useful variable in analysing consumer brand choices.. Brand personality is described “...as the specific mix of human traits that may be attributed to a particular brand”.

Lifestyle and values: a lifestyle “...is a person's pattern of living in the world as expressed in activities, interests, and opinions”. People from the same subculture, social class may have very different lifestyles and, therefore, completely different consumption patterns. Consumer decisions are also influenced by core values, “...the belief systems that underlie consumer attitudes and behaviours”. Values go much deeper than behaviour or attitude.

1.6.3. Behavioural Segmentation

According to Kotler and Keller, under this kind of segmentation, buyers are divided into groups on the basis of their knowledge of, attitude toward, use of, or response to a product and their interactions with the company.

Behavioural variables

Many marketers define occasions, benefits, user status, usage rate, loyalty status, buyer-readiness stage, and attitude as the best variables to segment customers. (Kotler and Keller, 2006):

1. Occasions: “...can be defined in terms of the time of the day, week, month, year or in terms of other well defined temporal aspects of a consumer’s life”. Under this classification buyers may be distinguished according to the occasions under which they develop a need, acquire a product, or use the product.
2. Benefits: buyers can be defined according to the benefits they look for, from premium products with high quality in service, to those only looking for low prices.
3. User status: “...markets can be segmented into nonusers, ex-users, potential users, first-time users, and regular users of a product”.
4. Usage rate: markets can be segmented according to light, medium and heavy products. Although heavy users are only a small percentage, they tend to account for the majority of the market.
5. Buyer-readiness Stage: “...a market consists of people in different stages of readiness to buy a product.” Some are unaware, others aware, some informed and other even interested, other desiring the product, and some actually intending to buy.
6. Loyalty status: buyers can be divided into four groups according to brand loyalty: *hard-core loyals* – consumers who buy only one brand all the time; *split loyals* – consumers who are loyal to two or three brands; *shifting loyals* – consumers who shift loyalty from one brand to another; *switchers* – consumers who show no loyalty to any brand (George H. Brown, 1953, adapted by Kotler and Keller).
7. Attitude: and finally, according to attitude. five attitude groups are typically found in the market: *enthusiastic, positive, indifferent, negative and hostile*.

1.6.4. Bases for Segmenting Business Markets

Business markets can be segmented resorting to some of the variables used in consumer segmentation. Bonoma and Shapiro (1983) proposed segmenting business markets based on: demographics, operating variables, purchasing approaches, situational factors and personal characteristics.

Another interesting way is proposed by Neil Rackman and John DeVincentis (1999) who classified business buyers into three groups, each warranting a different type of selling:

1. *Price-oriented customers (transactional selling)*: those who want value through the lowest price;
2. *Solution-oriented customers (consultative selling)*: those who want value through more benefits and advice;
3. *Strategic-value customers (enterprise selling)*: those who want value through the supplier co-investing and participating in the customer's business.

1.6.5. Effective Segmentation Criteria

Not all segmentations criteria are useful. To be useful, according to Kotler and Keller, market segments must rate favourably on five key criteria:

- **Measurable:** the characteristics (as size, purchasing power) of the segments can be measured;
- **Substantial:** the segments must be large and lucrative enough to serve. “...*a segment should be the largest possible homogeneous group worth going after with a tailored marketing program*”;
- **Accessible:** the segments can be easily and effectively reached and served by the company;
- **Differentiable:** the segments are conceptually different and respond differently to different marketing-mix elements and programs;
- **Actionable:** successful programs can be formulated for serving the segments identified.

1.6.6. Niche marketing

There are several definitions of niche in the literature. As Kotler and Keller put it, “...*a niche is a more narrowly defined customer group seeking a distinctive mix of benefits*”. Marketers usually identify them by dividing segments into smaller sub segments. Furthermore, according to the same authors, an attractive niche is characterized by: customers have a

distinct set of needs; they will pay a premium to the firm; the niche is not likely to attract competitors; certain economies are gained through specialization.

1.6.7. Targeting and Positioning

Target

After breaking the market into segments, the company has to concentrate its marketing efforts on one or few key segments. The segments to be targeted should be the most profitable ones (Susan Ward, About.com Guide).

Positioning

Brand positioning refers “...to “*target consumer’s*” reason to buy your brand in preference to others. It ensures that all brand activity has a common aim; is guided, directed and delivered by the brand’s benefits/reasons to buy; and it focusses at all points of contact with the consumer.” (Management Study Guide).

There are several points that brand positioning should make sure to respect (Management Study Guide):

- Is it unique / distinctive vs. competitors?
- Is it significant and encouraging to the niche market?
- Is it appropriate to all major geographic markets and businesses?
- Is the proposition validated with unique, appropriate and original products?
- Is it sustainable - can it be delivered constantly across all points of contact with the consumer?
- Is it helpful for organization to achieve its financial goals?
- Is it able to support and boost up the organization?

1.7. Customer Profitability

Customer profitability refers to the revenues less the costs that one particular customer generates over a given period.

Wen Chang, Chen Chang and Qinapin Li, 2012

According to Kotler and Buttler, “...*a profitable customer is a person, household, or company that over time yields a revenue stream that exceeds by an acceptable amount the company’s cost stream of attracting, selling and servicing that customer*”. It is important to pinpoint the

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emphasis on the lifetime stream of revenue and cost, not on the profit made on a particular transaction (Werner J. Reinartz and V. Kumar, 2003).

Companies are normally able to measure customer satisfaction but fail to measure customer’s profitability. Hence, let us look in more detail into it.

1.7.1. Customer Profitability Analysis

Ultimately a company’s objective is to attract and retain profitable clients. James V Puttern stated that the best customers outspend others by ratios of 16 to 1 in retailing (1993).. Despite of being outdated, the statistical is probably still a very good proxy to the retailing market, there is a well-known rule used to describe this relationship – 20-80 rule. The 20-80 rule states that the top 20 percent customers may generate 80 percent of the company’s profits. Sherden (1994) suggested an improvement to the 20-80 rule to reflect the fact that some customers make the company actually lose money. Hence, Sherden proposed the 20-80-30 rule, to reflect the idea that the company will lose half of its profits due to the bottom 30 percent of unprofitable customers.

Not always the biggest customers are the most profitable to the company since they typically obtain discounts and have the full service due to their bargaining power the company is not able to secure very high margins. Smaller customers tend to pay the full price and obtain fewer services but bring high transaction costs to the company, Middle customers tend to be the most profitable ones.

Thomas Petro (1990) proposed a way to analyse customer’s profitability:

	C1	C2	C3	
P1	+	+	+	Highly profitable product
P2	+			Profitable product
P3		-	-	Losing product
P4	+		-	Mixed-bag product
	High-profit customer	Mixed-bag customer	Losing customer	

Exhibit 2 – Customer Profitability Matrix (Thomas Petro, 1990)

From the figure we can conclude that customer 1 is the most profitable one, as he buys three profit-making products, while customer 3 is a losing customer, as he buys only one profitable product against two unprofitable ones.

What can a company do with customers number 2 and 3? The company has several options: raise prices of less profitable products, eliminate them, try to sell other products to these customers. Unprofitable customers who leave should not be a concern. In fact, the company should in a certain way encourage him to switch to competitors (Kotler and Keller, 2006).

Customer profitability analysis is gives more useful information when used together with a technique called *Activity-Based Costing* (ABC). With it the company estimates all revenue coming from a customer, less total costs. And by costs it means not only the cost of making the product but all company resources that went into serving the client. When this work is done for each customer, it becomes possible to classify them into different profit layers: *platinum customers* (most profitable), *gold customers* (profitable), *iron customers* (low profitability but desirable) and *lead customers* (unprofitable and undesirable). To move iron customers into gold customers, and moving gold into platinum should be the company's target. Increasing lead customers profitability is also crucial. The company should move them into iron tier, increase their prices or drop them (Kotler and Keller, 2006).

1.7.2. Customer Lifetime Value

Customer lifetime value (CLV) is a measure of the profit streams generated by a customer across the entire customer life cycle.

Wen Chang, Chen Chang and Qinapin Li, 2012

Customer lifetime value (CLV) describes the net present value of all future cash flows obtained throughout customer's lifetime purchases

Kotler and Keller, 2006

Bottom line, the core central idea of CRM is that customers should not be viewed as a set of independent transactions but as a lifetime income steam. LTV can be estimated at customer, segment and cohort's level. (Francis Buttle, 2009).

Measuring customer Lifetime Value

Though it may seem easy to measure customer profitability, it is actually a quite complex problem. Many models have been developed, with each having different assumptions and

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different bases (Wen Chang, Chen Chang and Qinapin Li, 2012). One relevant contribution, for the simplicity of its model, was developed by Gupta and Lehman (2003) and is based on the following assumptions:

- a) Margins are constant over time;
- b) Retention rate is constant over time;
- c) The length of the projection period is infinite.

This model can be expressed as:

$$CLV = m \frac{r}{1+i-r} \quad , \text{where } m \text{ is the margin and } r \text{ is a margin multiple.}$$

1.7.3. Customer Equity

“The aim of CRM is to produce high customer equity” (Kotler and Keller, 2006). Customer Equity often defined as the total of the discounted lifetime values of all of a firm’s customers (Robert C. Blattberg and John Deighton, 1996). The more loyal customer is the higher is his equity.

Winning companies improve their current customer base value (Kotler and Keller, 2006), through strategies as:

- *Reducing the rate of customer defection;*
- *Increasing the longevity of the customer relationship;*
- *Enhancing the growth potential of each customer through “share-of-wallet”, cross-selling and up selling;*
- *Making low-profit customers more profitable or terminating them;*
- *Focusing disproportionate effort on high-value customers;*

Rust, Zeithaml and Lemon (2000) distinguished three drivers of customer equity: value equity, brand equity and relationship equity.

- **Value equity:** is the customer’s objective assessment of the utility of an offering based on perceptions of its benefits relative to its costs. Sub-drivers: quality, price and convenience;
- **Brand equity:** is the customer’s subjective and intangible assessment of the brand, above and beyond its objectively perceived value. Brand equity is more important in market segments where product differentiation is low (retail). Sub-drivers: customer brand awareness, customer attitude toward brand, customer perception of brand ethics;

- **Relationship equity:** is the customer's tendency to stick with the brand, above and beyond objective and subjective assessments of its worth. Sub-drivers: loyalty programs, special recognition and treatment programs, community-building programs, and knowledge-building programs.

With this in mind, companies should decide on which drivers, should bet for the best payoff.

An alternative view is provided by Blattberg, Getz and Thomas (2001). They divide customer equity into three components, acquisition, retention and add-on selling.

- **Acquisition** is affected by the number of prospects, the acquisition probability of a prospect, and acquisition spending per prospect;
- **Retention** is influenced by the retention rate and retention spending level;
- **Add-on spending** is a function of the efficiency of add-on selling, the number of add-on offers given to existing customers, and the response rate to new offers.

Customers are classified as a company's most important asset, as cash flows are based on customer-generated revenues and investments are made to generate those revenues (Wen Chang, Chen Chang and Qinapin Li, 2012).

1.8. Attracting, Retaining and Growing Customers

Frederick F. Reichheld in "The Loyalty Effect" (1996) stated some interesting facts about customer retention:

1. Acquiring new customers can cost five times more than the costs involved in satisfying and retaining current customers;
2. The average company loses 10 percent of its customers each year;
3. a 5% reduction in the customer defection rate can increase profits by 25% to 85%, depending on the industry;
4. The customer profit rate tends to increase over the life of the retained customer.

1.8.1 Customer's Life Cycle

Companies seeking to increase profits have to spend relevant time searching for new customer (Kotler and Keller, 2006). Kevin Gao defined customer life cycle as "... *the length, arc and nature of a customer's relationship with your brand or company. Much like a "human life cycle" or a relationship between two people, this customer life cycle is marked by ups and downs, different phases and different periods of activity.*".

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The process of searching for new customers takes considerable time and can be costly. The starting point of this process is everyone who might buy the product or service - *suspects*. *Suspects* may not have the means or real intention to buy the company's products or services. Then, the company must identify which *suspects* are really good *prospects* - "...customers with the motivation, ability and opportunity to make a purchase" (Kotler and Keller, 2006).

The company must then target these prospects with the objective of transforming them into *first-time customers*, and then into *repeat customers*. Ideally the company hopes these customers to become *clients* - "...people to whom the company gives very special and knowledgeable treatment.". The last stages of the customer life cycle are to transform clients into members, by offering them membership programs, so that ultimately they become brand *advocates* - "...customers who enthusiastically recommend the brand..." and *partners* (Kotler and Keller, 2006).

Despite necessary, attracting customers is not enough. Company's must keep them and increase their business to succeed. The emphasis has traditionally been in making sales, rather than building lasting relationships. Some companies are very good attracting customers but have a high customer churn - *customer defection* (Kotler and Keller, 2006).

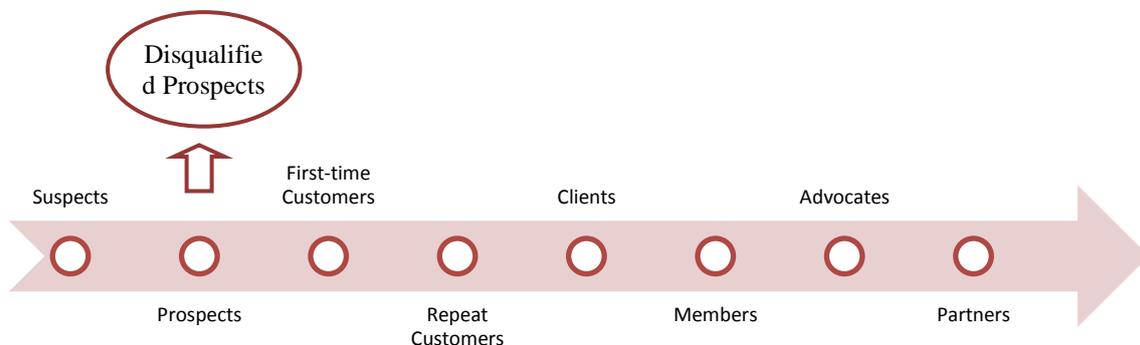


Exhibit 3 - Customer's Lifetime Cycle (Kotler and Keller, 2006)

1.8.2. Forming Strong Customer Bonds

Berry and Parasuraman (1991) have identified three *retention-building approaches* that are worth exploring: *adding financial benefits*, *adding social benefits*, and *adding structural ties*.

Adding financial benefits

Two typical benefits companies can offer are *frequency programs* and *club marketing programs*. Frequency programs "...are designed to provide rewards to customers who buy

frequently". These are seen as a way to build long-term loyalty with those customers. Club marketing programs tend to be open to everyone who purchases the product or service. Nevertheless, limited membership clubs are more powerful long-term loyalty builders (Kotler and Keller, 2006).

Adding Social Benefits

All company's personnel should work on cementing bonds by individualizing and personalizing customer relationships, turning customers into clients. Donnelly, Berry and Thompson (1985) draw this distinction, "*Customers may be nameless to the institution; clients cannot be nameless. Customers are served as part of the mass or as part of larger segments; clients are served on an individual basis (...)*".

Adding Structural Ties

Finally, and according to Lester Wunderman (2000), "*...people can be loyal to country, family and beliefs, but less to physical products as toothpaste, soap, or even beer*". He also adds that the marketer's aim should be to increase *proclivity to repurchase* the company's brand.

1.8.3. Customer Defection

According to Kotler and Keller, there are five main steps a company can take to reduce the defection rate:

1. Define and measure retention rate;
2. Distinguish the causes of customer attrition and identify those who can be managed better;
3. Estimate how much profit it loses when it loses customers. In the case of an individual customer, the relevant value is customer's lifetime value.
4. Figure out how much it would cost to reduce the defection rate. As long as the cost is less than the lost profit, the company should spend the money.
5. Finally, listening to customers. This is the most relevant point and one that more often than one might think, is neglected.

1.9. Customer Satisfaction

The secret is not to produce satisfied customers; several competitors can do this. The challenge is to produce delighted and loyal customers.

Jeffrey Gitomer, 1998

Any offer to a client, will, by definition, be successful if it delivers value and satisfaction to the buyer. All rational customer will select a product from a wide set of offers, because he perceives it as the best value proposition. Value reflects the perceived tangible and intangible benefits and costs to customers. Value increases with quality and service, and decreases with price – “customer value triad” (Kotler and Keller, 2006).

1.9.1. Customer Perceived Value

As previously stated, customers are more educated and informed than ever. Technology has facilitated this even further. Therefore, how do clients chose between offers? Customers tend to be “*value-maximizers, within the bounds of search costs and limited knowledge...*”. Customers will evaluate the offer delivering the biggest perceived value and will act based on it (Kotler and Keller, 2006).

Customer perceived value (CPV) “*...is the difference between the prospective customer’s evaluation of all the benefits and all the cost of an offering and the perceived alternatives*” (Kotler and Keller, 2006).

Total Customer Value “*...is the perceived monetary value of the bundle of economic, functional, and psychological benefits customers expect from a given market offering*”.

Total Customer Cost, on the contrary, “*...is the bundle of costs customers expect to incur in evaluating, obtaining, using and disposing of the given market offering, including monetary, time, energy and psychic costs*”.

Loyalty is defines by Gary Hamel (1996)as “*a deeply held commitment to re-buy or re-patronize a preferred product or service in the future despite situational influences and marketing efforts having the potential to cause switching behaviour.*” The key to generate customer loyalty is to consistently offer superior customer value. Michael Lanning (1998) wrote “*...that a company must design a competitively superior value proposition aimed at a specific market segment, backed by a superior value delivery system*” in order to be successful in the marketplace.

The value proposition consists “*...of the whole cluster of benefits the company promises to deliver*”. The value delivery system includes all the experiences the customer will have on the way to obtaining and using the offering (Kottler and Keller, 2006) - See appendix 1.6.

Simon Knox and Stan Maklan (1998) emphasized that many companies create a value gap between brand value and customer value. Often brand marketers define brand as unique and a specific positioning, yet customer value delivered is not in accordance with it.

Total Customer Satisfaction

After buying a product, the client will be satisfied if his expectations and the actual value delivered match. Hence, Kotler and Keller defined customer satisfaction as: “... *a person’s feelings of pleasure or disappointment resulting from comparing a product’s perceived performance (or outcome), in relation to his or her expectations. If the performance falls short of expectations, the customer is dissatisfied.*”

Customers form their expectations in very different ways. They may look at past experiences, friends’ or co-workers opinions, media coverage, competitors’ information, and so on.

1.9.2. Measuring Satisfaction

A key point for customer retention is customer satisfaction. With this in mind companies should look for actively measuring and evaluating customer satisfaction with company’s products. Customer loyalty will have important consequences. If a customer is loyal he will stay with the company longer, will buy more products, pay less attention to competitors propositions, be less price sensitive, tell his friends about his good experience, and ultimately, bring more clients to the company. Word of mouth plays an important role in almost every business. Notwithstanding, as Kotler and Keller state, “*The link between customer satisfaction and customer loyalty is, however, not proportional*”. Only high satisfaction or delight creates an emotional connection between brand and customer.

There are a number of methods to measure customer satisfaction. *Periodic surveys* can track satisfaction, and evaluate the likelihood or willingness to repurchase. Companies can also monitor *customer loss rate* and contact those customers who stopped buying from the company, not only to improve company’s value proposition but also to increase his chances of regaining the client. Finally, *mystery shoppers* may be of use to evaluate strengths and weaknesses along the process (Kotler and Keller, 2006).

In order for *periodic surveys* to be effective, the right questions need to be asked. Frederick Reichheld (2003) suggests that the only question that really matters is “*Would you recommend this product or service to a friend?*”, Frederick also states that a “*customer’s willingness to recommend to a friend results from how well the customer is treated by front*

line employees, which in turn is determined by all functional areas that contribute to a customer's experience."

Besides tracking customer value expectations and satisfaction, companies should also monitor the same variables for their competitors. Only this way will they be able to obtain a significant competitive advantage in the market.

1.9.3. Product and Service Quality

Quality is our best assurance of customer allegiance, our strongest defence against foreign competition, and the only path to sustained growth and earnings.

John f. Welch Jr. (1982)

American Society for Quality Control (1993) defined quality as *"...the totality of features and characteristics of a product or service that bear on its ability to satisfy stated or implied needs"*. Two products with very different absolute values of quality can deliver *conformance quality*, if they both deliver the promised value. However, when looking at *performance quality*, the superior product or service will be ranked higher. Marketing managers must ensure the company formulates the appropriate strategies and processes to deliver a product of quality, but they must also ensure that along with production, marketing quality is delivered. Each marketing activity must perform to high standards (Kotler and Keller, 2006).

Product quality, customer satisfaction, and company profitability are closely connected. *"Higher levels of quality result in higher levels of customer satisfaction, which support higher prices and (often) lower costs. Studies have shown a high correlation between relative product quality and company profitability"* (Robert D. Buzzell and Bradley T. Gale, 1987).

Marketers play an important role guaranteeing that company deliver high quality products: first they have the responsibility for correctly identifying the customer's needs and wants, secondly, they must communicate properly customer's expectations to product designers, thirdly, make sure customers' orders are filled correctly, fourthly, they need to make sure customers have received proper instructions, training in the use of the product. Finally, they must stay in touch with customers after the sale, and gather customer ideas for product and service improvements. *"When marketers do all this, they are making a major contribution to total quality management"* (Kotler and Keller, 2006).

1.9.4. Complaints

According to the U.S Office of Consumer Affairs Study on Complaint Handling in America, 96% of dissatisfied customers do not complain, they just stop buying. Bearing this in mind, measuring customer satisfaction through complaints is not sufficient. The best thing a company can do is to make easier for customers to complain. Only by doing so will the company get a reasonable feeling of customers feelings towards the company. Knowing is not sufficient, though. The company has to quickly and in the most effective way respond to the client (Kotler and Keller, 2006).The complaint process may be good but if it does not lead to retention or improvement, it may have limited financial impact. To generate maximum financial benefit from complaints, organizations should design complaint management processes to focus on process improvement and employees, rather than customer satisfaction *per se* (Merlin Stone, 2011).

Of the customers who register a complaint with the company, between 54 and 70% will do business again if the complaint is resolved. This number goes up to 95%, whenever the customer feels the complaint was quickly solved (Karl Albrecht and Ron Zemke, 1985).

Chapter | 2

Continente Online

This chapter aims to be an overview of the COL, focusing on the aspects that are most relevant to the present project.

2.1. *Continente Online* – Brief Introduction

Created in February 2001, *Continente Online* is an online retail store which provides to customers the possibility of making online shopping and receiving the orders at home. In COL's platform the client has access to almost everything that could find in the physical store with the added benefit of being able to do the shop anywhere, and at any time, scheduling the deliver to the most convenient hour.

By definition, *Continente Online* is one of the two different distribution channels of *Continente*, one of the biggest Portuguese hypermarket chains. Nevertheless, the fact of being a distribution channel does not hold back the company of exploring new business opportunities, like the company already did by selling textbooks or Christmas baskets.

2.1.1. *Sonae*

Sonae is one of the biggest and most important Portuguese economic groups. Was founded in 1959 as “Sonae- Sociedade Nacional de Estratificados”, an industrial company focused on laminated products, but in the 80's entered on the retailing business throughout the joint venture with the French group “Promodés” and opened the first Portuguese hypermarket. Nowadays it is an even more diversified group, with business in retailing, telecommunications, real state, clothing, among others, and is currently present in more than 40 countries, see appendix 2.1. (Sonae, 2011)

The next figure will help us to better understand Sonae's dimension and the place of *Continente Online* within the holding.

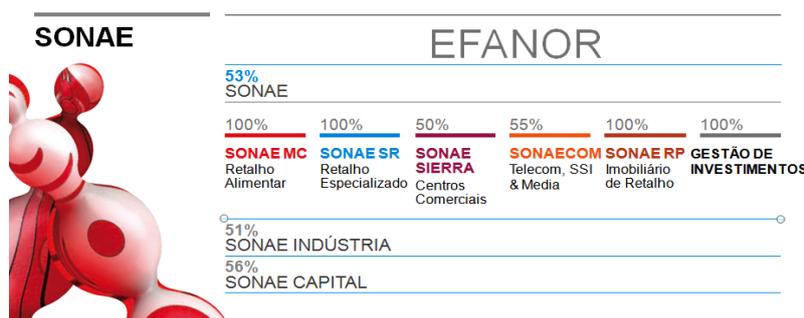


Exhibit 4 - Holding (Sonae, 2011)

The *Continente Online* is part of Sonae MC (Sonae Modelo Continete).

2.1.2. *Continente*

Continente is a Sonae's retail brand. In 1985 the first *Continente* hypermarket was opened in Matosinhos, starting a new era on the Portuguese retailing market. Nowadays *Continente* is

the strongest Sonae's brand and the biggest food retail company operating in Portugal, both in total area of sales and in gross sales, with a turnover of 3.555.000.000€ (APED, 2011).

In September 2010 Sonae opened the first *Continente Ice* shop and in 2011 the number of shops grew to three. This new brand is part of a brand scope enlargement process that was also responsible for the rebranding of the neighbourhood Hypermarket's chain, now called *Continente Modelo*, and the Supermarket chain currently named *Continente Bom dia*. Hence, currently, the *Continente* insignia has three different brands associated and more than 180 stores (39 of them from *Continente*, 27 from *Continente Bom dia*, 112 *Continente Modelo* e 3 *Continente ICE*).

One of Sonae's objectives is to expand their business across borders, keeping that in mind the new challenge for *Continente* is entering in the Angolan Market. The target date for opening the first store was the end of 2012 (Diário Económico, 2011).

2.2. Organizational Structure

COL is currently divided in four different areas: *Contact Centre*, *Business area*, *Operations* (North and South), and the area of *Develop, Systems and Reporting*. When this work started there was a fifth area – *Communication*. This small restructuring was done regarding the lack of perceived value added that this area had.

This project, although having impact in all the departments, was developed in the Contact Centre, once it is where the customers' information processing always should be done.

In order to better understand COL's functioning and the scope of each area, it is presented below the principal functions that each one has with special focus in the ones that could have a higher impact in the present 1:1 Marketing program strategy.

2.2.1. Contact Centre – Client Management

The Contact Centre is responsible for all the direct contact with the client (except the deliveries), which includes handling with the Suggestions and Complaints and managing the Call Centre. Besides that, the CC also has the responsibility of handling the customer data and to provide information about customers to the other areas.

Call Centre

The Call Centre is outsourced since January 2011 and the results, according with COL's director, have been positive in terms of costs and service level.

Despite the fact that the Call Centre is COL's responsibility, turns out that this is the only call centre of the entire *Continente* brand. This means that, the Call Centre also receives calls and e-mails concerning matters that do not have to do with *Continente Online*'s service. Because of that, the average volume of calls when compared with the orders' volume is approximately 76%, meaning that for every hundred web-orders, on average, the Call Centre receives seventy six calls. At the moment there is not information available regarding the e-mails received. The only information known is how many claims are received through e-mail.

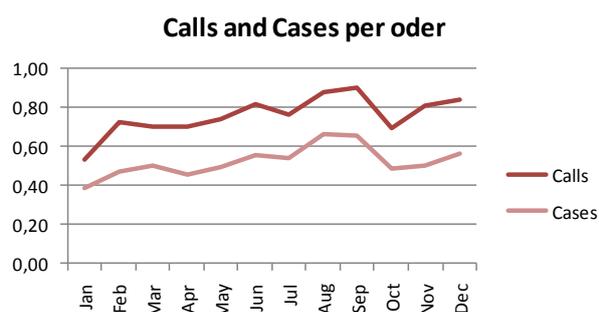


Exhibit 5 - Average calls received and registers performed by order, 2011.

Concerning the created cases, meaning the interactions between the call centre and the client that are registered in the CRM software, on average, for every hundred orders, the Call Centre created fifty two cases.

The registered interactions could be many different things, such as suggestions, complaints, relevant information provided to the customer, reporting of stock-outs, etc. As with the calls, the registers can also relate to other parts of the company.

But not all the cases are complaints, in fact, only around 1% of orders give rise to a claim as we will see further in this document (Suggestions and complaints, point 3.4.3).

2.2.2. Commercial Department

The range of responsibilities of this area is quite large and includes the decisions about the range of products and the contents of the site, handling with suppliers and other Sonae's commercial divisions, searching for new business opportunities, and most recently, handling with the *Online*'s marketing.

Range of Products

Each client when does login in the website is directed to an online shop created according to the physical shop that is allocated by the zip code. This happens in order to avoid claims regarding the price difference that exists between physical shops and because the range of products of each physical shop, where the picking is done, differs. Before the login, the

products displayed in the website are the range type that corresponds to the product range of Colombo shop¹.

By default all the products that are available in the physical shop should be available for *Online*'s clients. The process of having available on the website a new article is started by the Sonae's commercial area responsible by that product, making it available in the system. After that, *Online*'s commercial area has to check for available pictures of the article, if it has an acceptable description, and insert it in the category of the site that best fits.

The online range of products used to ascend to 22,000 articles, but has just rise due to the introduction of some Well's² products in early March 2012.

In order to avoid products' disruptions, there is a rule that any product that has a stock lower than five units is removed from the website. This brings some problems in product categories where the stock is usually small, often not exceeding five units, such as in books.

New Opportunities

Nowadays COL is searching for new business opportunities that can bring value added. For example during this dissertation elaboration the entry of *Well's* products in the *Continente Online*'s platform was being negotiated. This is part of a diversification strategy and opens the door to stop seeing *Continente Online* only as a distribution channel of *Continente*, as it starts to provide different products that are not in a physical *Continente* Store. Regarding this topic, there is also the possibility of, in the near future, introducing in COL's website products that are not under any Sonae brand.

Some steps have been already taken regarding *Online*'s diversification, particularly through some special campaigns that will be addressed in the next paragraph.

Special Campaigns

In order to boost sales and take advantage of the well-known brand *Continente*, COL started some seasonal campaigns in order to take advantage of some opportunities that came out in the last years.

Started in 2008, the Christmas Baskets Campaign focuses in providing this kind of product throughout an external supplier both to companies and private clients. The range of different

¹ Opened in 1997, the *Colombo* is one of the most important Shopping Centers in Portugal. It is located in

² With 140 shops all over Portugal *Well's* is a parapharmacy owned by Sonae MC.

baskets with very different prices was well acceptable by clients, and in this year this campaign proved to be a safe bet.

Taking advantage of the Loyalty card of the company, Continente Online started selling textbooks in 2009. In the first year the experience was not so good, being interrupted in 2010 and put in practice again in 2011 with structural changes and a different result. At this moment the company hopes to continue improving the service in order that in 2012 this business starts to be profitable.

Selling Rock in Rio Tickets was one of the most recent adventures of the *Online*. This opened the door to start betting in the online ticketing.

Advertising Revenues

Continente Online has two important assets that should explore, which are the web-site and the clients' data base. The COL's web-site has many visits because it is associated with a strong and well-known brand (*Continente*) and the clients' data base represents information about the client (in this case we are talking about client's contacts).

In order to take advantage of these two strengths, Online started negotiating in September 2010 with suppliers and other commercial divisions inside *Continente* in order to "sell" communication opportunities to them. At this moment they sell advertising space within the website, Newsletters with content defined by the suppliers (external or not), sampling throughout *Online* deliveries and promoted with third parties some promotional campaigns to COL Clients.

This COL's area is one of the existing ones that could beneficiate more from this work, since knowing the customers is an important resource that could be used for negotiating with third parties. After starting this Relationship marketing project, the person responsible for bridging the gap between *Online* and suppliers (internal or not), could know, for example, what are the clients with the purchasing profile more conducive to buying a product that the supplier wishes to communicate. This means that it becomes easier to identify and evaluate (in terms of number and value) the customers that belong to a particular product, brand or supplier target, throughout the segments based on the client lifestyle and the differential trends defined further on this thesis.

In 2010, according to the responsible for this part of the Business, from September to December, the revenues from this activity ascended to 60.000€, and in 2011, the value amounted to approximately 900,000€ (50/50 between internal departments and external

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suppliers). For 2012 the goal is to raise the revenues from the external suppliers to 600.000€ and at least maintain the amount relating to internal suppliers.

Communication

As it was already said, the communication area was merged with the Commercial department. This situation was driven mainly by the small range of responsibilities of the area, namely the focus on the mass communication, where basically this area intervened as the link between the central Marketing structure and the advertising agencies. Besides working as the link between the *Online* and the main company (*Continente*), the extinct *Communication* area used to do some punctual campaigns like for example the one related with the *Drive* service. Nowadays *Continente Online*'s marketing efforts is reduced: there are newsletters (non-segmented), some campaigns without well-defined goals and for everyone, and sometimes there is an attempt to target some sampling campaigns, but the lack of information about the customer is huge and damages a good segmentation. Currently the *Online* does not know who are the best customers and the ones that do not bring value, how they are, and what they want in order for the company to reach them.

DECEMBER 2011							JANUARY 2012						
SUN	MON	TUES	WED	THURS	FRI	SAT	SUN	MON	TUE	WED	THU	FRI	SAT
				1	2 CONTINENTE ONLINE TESCO	3 CONTINENTE ONLINE	1	2 TESCO	3 CONTINENTE ONLINE ocado	4 TESCO ocado	5 CONTINENTE ONLINE	6	7
4	5 ocado	6 CONTINENTE ONLINE	7	8 CONTINENTE ONLINE	9 CONTINENTE ONLINE TESCO	10	8	9 CONTINENTE ONLINE ocado	10	11 ocado	12 CONTINENTE ONLINE	13 TESCO	14
11	12 ocado	13	14	15	16 TESCO	17 CONTINENTE ONLINE	15	16 ocado	17	18 CONTINENTE ONLINE	19 TESCO	20 TESCO	21
18	19 TESCO	20 CONTINENTE ONLINE	21	22	23	24	22	23 ocado	24	25	26 CONTINENTE ONLINE	27	28
25	26 CONTINENTE ONLINE	27 TESCO	28 CONTINENTE ONLINE ocado	29	30 TESCO	31	29	30 CONTINENTE ONLINE ocado	31				

Exhibit 6 – Newsletters: Ocado, Tesco, Jumbo and Continente Online (December 2011 and January 2012)

Above is presented the comparison between the number of newsletters sent by the COL and the Benchmark.

The goal is to start doing a segmentation of the Newsletters in order to minimize the “noise” that reaches the client. Through the segmentation of clients according to their lifestyle and different trends, it will be much easier to start sending only the Newsletters that have higher chances of creating a positive impact on the customer.

2.2.3. Operations

This area is responsible for the shops' operations, which means that handles with the part of the process since receiving the order in the shop to collecting and dispatching the order to the transport company. An "Online Shop" is a physical location inside one *Continente* Hypermarket and it is where the picking is done and the products are packed.

The main concerns of this part of COL's structure is to assure that the products are in perfect conditions in terms of expiration date and other topics and managing shop employees. Once this area is only operational, it is not so important to discuss in detail the tasks and responsibilities of it because it will be the area with the smaller contribution to this work.

2.2.4. Development, Systems and Reporting

This area scope can be divided in three sub-areas:

Development

One of the responsibilities of this area is to manage the innovations that are not related with the range of products or with the after-sales services. The *Drive* service, appendix 2.2., is an example of a project created and managed by this team.

Web-site and systems

Managing all the IT systems and the correct link between them is the scope of this team.

The year 2012 was a year of change in COL's systems. There is a process of transition to another IT System, since the current one is obsolete and no longer responds to the company's needs, namely the capacity to extract information and create useful reports. Besides that, like it is possible to see further in this work, the top claims of clients are related with the web-site and the performance of the same.

Transports

The major contribute that this area can bring to this work is the fact that it manages first line employees – the drivers. Once the business is online, the client only contacts physically with the driver when receives the order at home. This contact is of major importance and could be a moment to collect some useful information about the client, specially its satisfaction level. On the third chapter it is presented an example of topics that the driver should pay attention to and register in every client contact.

2.3. Continente Online Key Numbers

In order to better understand COL's dimension and the company's current situation, it will be presented in this point some key numbers which represents the evolution of the most important indicators. Many times it will be done the division between the Business and Private customers, because, like it will be possible to see, these two segments have different behaviours and show dissimilar trends.

It is important to refer that from this point until the end, all the data was collected through methods developed during this project.

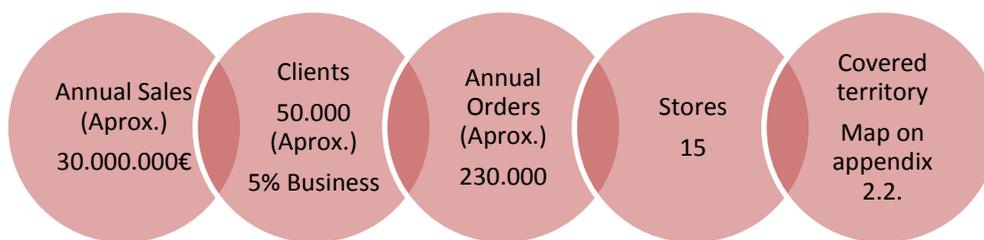


Exhibit 7 - COL's Key numbers, 2011

2.3.1. Total Sales and Order's Evolution

Regarding the chart "Total Sales and Orders" it is possible to see that, when compared with the same period of the previous year, the volume of orders recorded an overall increase

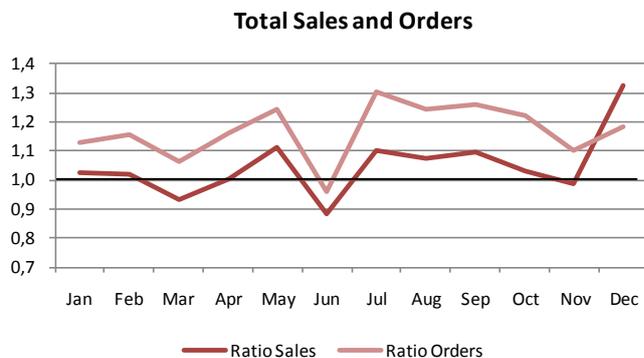


Exhibit 8 - Total sales and orders ratio, without VAT (2010 vs. 2011)

(exhibit 8), more specifically, the number of orders boosted approximately 17%. The second issue to highlight regarding the chart below is that the sales evolution presents a different behaviour from orders, with an on average sales increase of only 5%.

It is important to explain the atypical behaviour of the sales in December. This boost was not only the result of the Special season but also because of the Christmas Baskets' sales, especially regarding business clients.

Another issue is the VAT effect on sales, in fact, the sales were 5,6% higher than in the last year, but this value includes the VAT and because these days the taxes have been changing more often, the most realistic way of comparing years is removing the VAT from total sales.

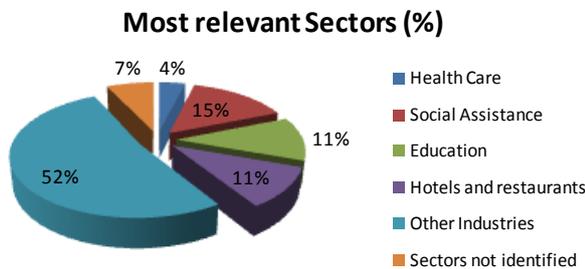
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Therefore, this short analysis demonstrates a new trend - people are buying less products, or cheaper products, but are doing it more often. This could be explained by different things: first people had less money to spend, so buy less or change to cheaper products and second, it is a risk for some people to draw money in the pantry because you never know if the money will be necessary for more important things and if it will be need to change the habitual products for cheaper ones or simply not buy at all. Besides that, people are more prone to campaigns, because they need to save money, and so, they prefer to wait and buy when the product is really needed - it is impossible to know if the product will be on sale within two days, for example. This situation is harmful to COL once the average sale, like we will see bellow, tends to decrease and it is more difficult to cover the costs, only higher average sales allows the delivery to be profitable.

It is also relevant to explain that the curve's behaviour on June was the result of website problems and even the punctual unavailability of the platform on that month.

Business clients

On average, business clients represent approximately 10% of total sales. If we only considered the business clients' universe, the distribution among the different sectors would be the presented in exhibit number 9.



As it is possible to understand, the most relevant sectors are social assistance, Education and Hotels and Restaurants.

Inside these sectors the most important areas are nursing homes, kindergartens and the accommodation sector.

Exhibit 9 - Sales distribution among the different sectors.

Another Aspect important to refer about the Business segment is the fact that besides the fact that only represent 5% of the clients' number, contributes with 10% of the total sales.

2.3.2. Average Sale Evolution

As it is possible to perceive from exhibit number 10, the average sale decreased from the year 2010 to 2011, on average around 13€, which represents roughly 10%.

But through exhibit number nine, it is possible to realize that there is a different behaviour between business and individual clients. Despite the fact that the average sale is lower than in the previous year, the Private clients are the ones pushing down the average sale (12%

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decrease), and are they that are unable to, in any month, even match the values of the previous year. On the other hand, Business clients present a higher average sale than in 2010 (7%) mainly because the December values were influenced by Christmas' Baskets. The sharp drop on October, when concerning Business clients, occurred because in October 2010 some unusual orders were placed in terms of value, which decreased the average sale on that month. Thus, the fact that Business clients present a slightly increase on average sales combined with a higher average sale in absolut terms than Private clients (174€ against 115€), could represent an opportunity to grow.

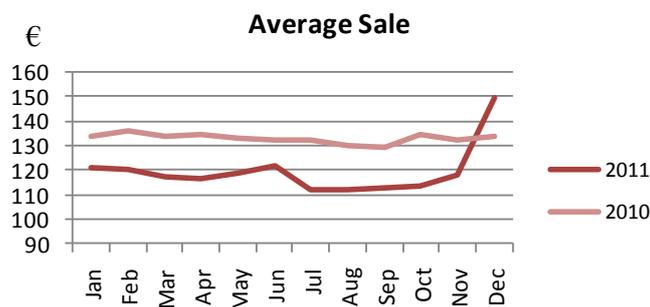


Exhibit 10 - COL's Average Sale evolution, 2010 vs. 2011 rates



Exhibit 11 - COL's Average Sale evolution, 2010 vs. 2011

2.3.3. Customer Retention

Another important indicator to analyse is the Retention level, which is very attached with the loyalty definition. The exhibit number 12 presents the number of customers that bought in 2010 and also bought in 2011, representing COL's retention level (roughly 57,5%). Besides that information, the chart also indicates the number of Dropouts (Clients that bought in 2010 but not in 2011) and the clients who bought in 2011 but did not buy in 2010 (New clients).

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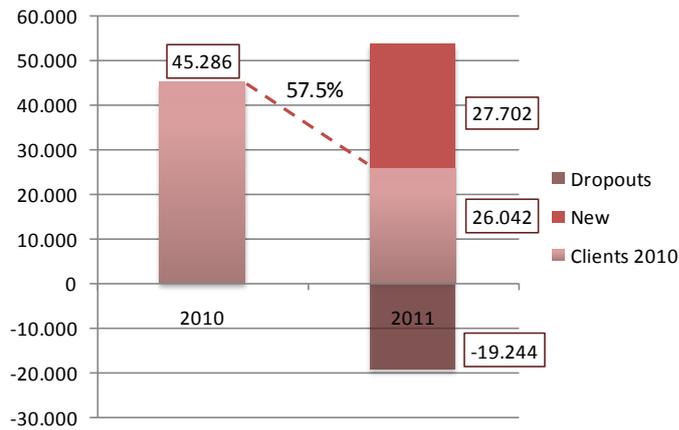


Exhibit 12 - Retained clients, Dropouts and New clients, 2010_2011

Despite the low retention rate- 51,5% of the 2011 clients are new, total clients raised 19%, which translates a positive difference between the New Clients and the Dropouts. Nowadays the company is most successful to attract new customers than to retain those who are already clients.

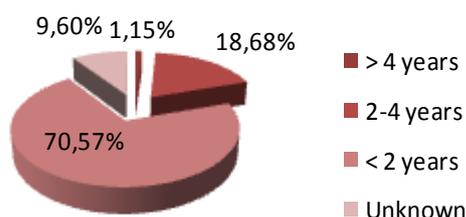
		2010	2011	%
Clients 2010	Private	43.087	24.577	57,0%
	Business	2.199	1.465	66,6%
New	Private		26.712	52,1%
	Business		990	40,3%
Dropouts	Private		18.510	43,0%
	Business		734	33,4%

Exhibit 13 – Business vs. Private clients: Retention rate and New Clients

In the table above, it is possible to analyse the division of the dropouts in 2011 -clients in 2010 that do not perform any order in 2011- between Business and Private clients. This analysis is important once the percentage is substantially different: 43% of the private clients stop buying against 33% in the business segment. This combined with the superior average sale in the business segment – point 2.2.2 - could represent a serious opportunity to explore.

In the Exhibit 14 it is possible to see the impact that the high churn rates registered along the years have in the distribution of COL's regarding their seniority. As it is possible to see, 70,57% of the Clients do not complete their second “anniversary” with COL. The unknown percentage is the result of a system error in the data base that turn impossible to know some clients’ date of the first order.

Exhibit 14 – Clients seniority by years’ ranges, 2011



This situation is an evidence of the path that has been chosen by successive directors in the recent years, focusing on raising the registers number (more and more clients) instead of focusing on

retaining the best costumers that the company already has.

2.3.4. Loyalty Program – Cartão Continente

Launched in 2006, the loyalty card “Cartão Continente” was a milestone for the Company. Represents the beginning of a different Marketing approach and could be defined as a forerunner regarding the Continente approach to the relationship marketing. Exhibit number 11 shows that only 17,3% of Col’s clients have the loyalty card, still a considerably low value.

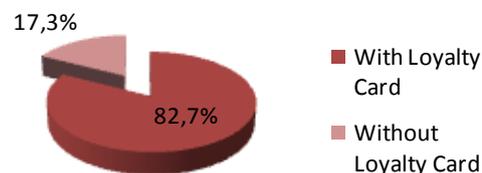


Exhibit 15 - Clients who are in the loyalty programme, 2011

2.4. STP Strategy

Regarding this topic, it is important to highlight that all the information presented is related to the Company as a whole and not to *Continente Online*, and that it is not actually being currently applied in COL.

2.4.1. Segmentation

The Company had defined seven segments (appendix 2.3.):

- Kid Free Convenience – Conveniência sem Filhos
- Kids & Baby – Famílias Jovens com Filhos
- Traditional Seniors – Sêniores Tradicionais
- Budget Families – Famílias Económicas
- Practical Parenting – Famílias Racionais
- Healthy Wealthy – Fãs e Saudáveis
- Aspirational Actives – Activos Aspiracionais

The principal obstacle to use this segmentation for COL’s universe is the fact that COL has no access to the methodology used and neither to the classification assigned to each COL’s client. Besides that, in this analysis, each client is seen as a whole in the *Continente* universe, online and offline channels, and it is known that the consumption patterns differ from channel to channel. So, it would be impossible to analyse the customer behaviour only in the online channel.

2.4.2. Target and Positioning

From my research among the team, I realized that at this time there is not any target defined. They are “shooting everywhere” without any focus, trying to reach every possible client. This problem is consequence of the fact that they do not have segments created to COL and do not even use the *Continente* ones. Without segments it is impossible to define a target to the business.

Regarding the Positioning, they assume the same positioning of the main brand and are not making any efforts in order to create a self-positioning - there is no awareness about this topic.

2.5. Retail Market Overview

This section intends to give a global overview on how the market has evolved in the last few years – from the broad retail market to the more specific online retail market, and how it is expected to evolve in the next few years.

Looking at the chart below can conclude that the retail food and beverage market has been declining, with special emphasis on peripheral European countries - Portugal, Spain and Greece. If we widen our analysis to the retail sector, conclusions are exactly the same as for the retail food and beverage market (see appendix 2.5.).

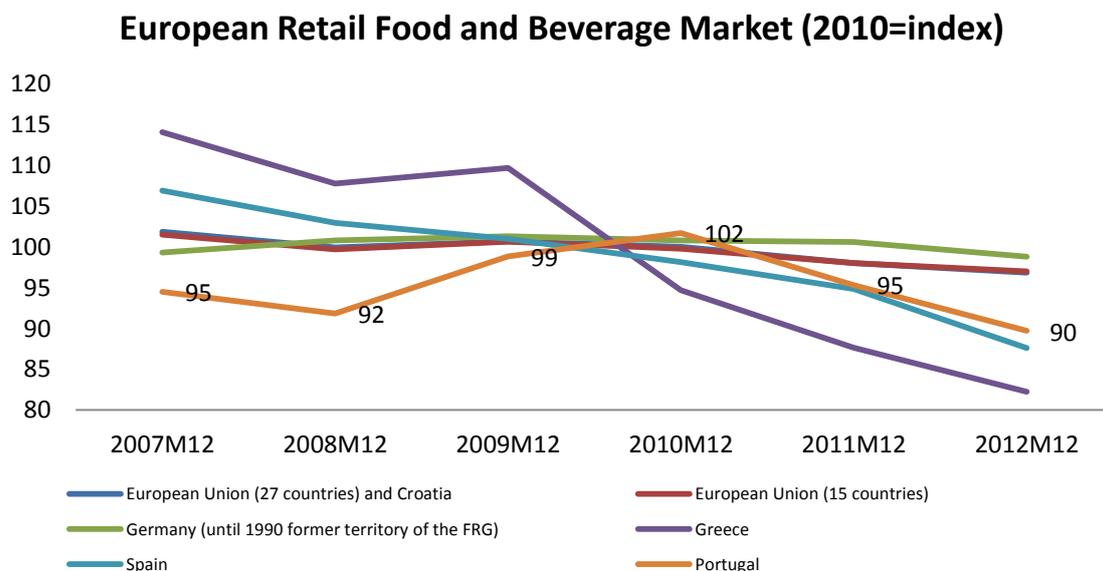


Exhibit 16- Retail Food and Beverage Market evolution, 2011

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When we look at online sales, the picture is completely different, though. Despite of the current unfavorable economic conditions, the percentage of the population with at least one online buy in the last three months – exhibit 16, has steadily rise from 2005 to 2012.

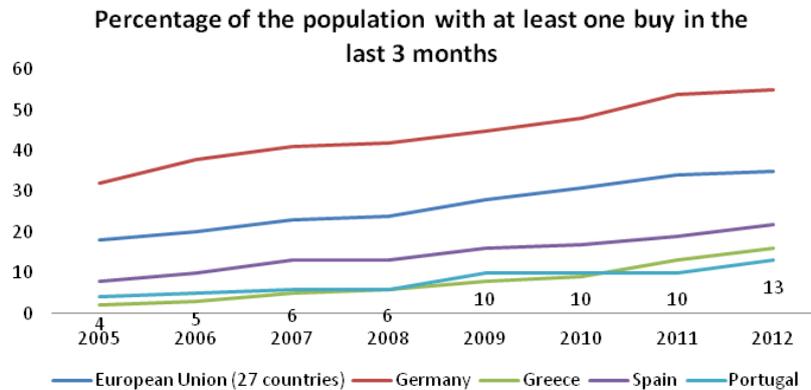


Exhibit 17 - Online Purchases in the last 3 months, Eurostat

When we consider the last 12 months, the numbers are even larger. Portugal is still lagging behind other European countries and far from the European average (22% vs. 44% for the European Union). Nevertheless, the number more than tripled from 2005 until 2012 (from only 6% to 22%, with a relevant jump in from 2011 to 2012) – appendix 2.6. and 2.7..

By conducting a more broad comparison it is evident that the Portuguese online market is still very embryonic, with low representativeness in the totality of retail sales.

When looking specifically at the online food and groceries market, we are able to capture the same tendency as in the e-commerce, with some slowdown in 2012 though. Portugal is, however, on the average of Euro area countries, slightly above Spain (5% vs. 4%). The United Kingdom, is, from a European perspective, the biggest food and groceries online market, with values around 20%.

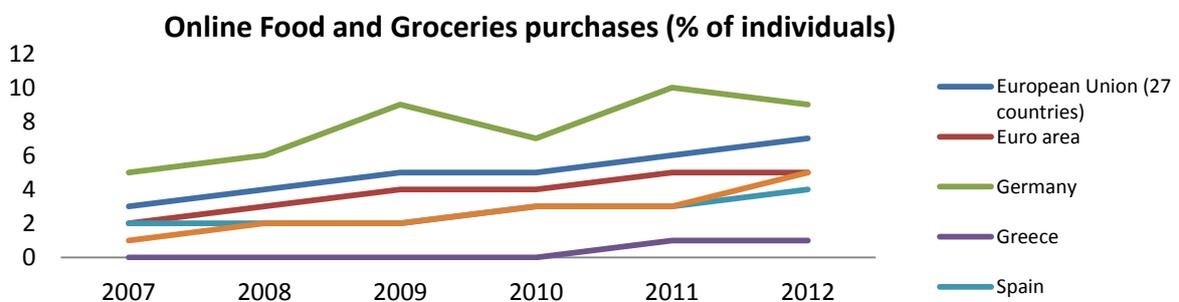


Exhibit 18 - Online Food and Groceries Purchases, Eurostat

According to SIBS Market Report, the average online purchase value has been decreasing, but is still more than the double of onsite purchases (40€) – appendix 2.8.

Moreover, and according to a recent study from Nielsen, a global leading provider of information and insights, global consumer's intent to buy food and beverages online increased 44% in two years.

2.6. Competition and Benchmark

2.6.1. Competition

In order to better understand the market where *Continente Online* operates it will be presented below COL's main competitors (direct and indirect ones).

Direct competitors

COL's direct competitors are two: *Jumbo Online* and *El Corte Inglés*. These are the only two *food and beverage* retailers, besides COL, that operate in the online channel, in Portugal. *Jumbo* is the most important competitor due to its territory coverage being similar to COL's. *El Corte Inglés*, despite the fact that is associated with a retailer with a different positioning – more premium and with a shorter range of products, only has impact in Lisbon and Porto cities.

Notwithstanding, *Continente Online* is the player with more expression in this business and the one that usually launch new value propositions to the market. We can say that in most of the situations, the direct competition only follows the COL's market moves.

Indirect Competitors

The indirect competitors are many, bottom-line all the *food and beverage* offline retailers are indirect competitors. Despite this fact, there are three that should be considered as the main ones, namely *Continente* – physical stores, *Pingo Doce* and *Jumbo*. These three have been chosen once they are the main players of the market with the most similar positioning. Despite *Pingo Doce* nowadays being more focused on a Price-quality offer with strong emphasis on the *Pingo Doce* branded products, it is the main competitor of *Continente* brand as a whole. In this small competitors analysis it is not included any Low Price operator once their positioning is different from the defended by *Continente*. If we compare COL's numbers (clients, transactions, earnings, etc.) with any of these giants they have a small weight in the market. This situation could be seen as an opportunity as there is space to grow.

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2.6.2. Benchmark

The companies chosen as benchmark were essentially three: *Ocado*, *Tesco* and *Sainsbury's*.

These companies were chosen to help during this work once they are also the benchmarks used by COL's managers. These companies are in the business since late 90's and are one step ahead of the Portuguese online market. So it makes sense to analyse the behaviour, methods and new opportunities to COL already explored by these pioneers.

The main topics that were analysed from these companies were the Registration process, the web-site structure and the mail communication with the client. For that I registered myself in the web-sites and received the communication for around 5 months.

2.7. SWOT Analysis – External and Internal Analysis resume

Below is presented a Swot that results from external and internal analysis preformed and from which can be withdrawn some conclusions that reinforce the relevance of the present work.

<p>Opportunities</p> <p>Expansion of the E-commerce in Portugal; Upgrade of the product's range; Consumer Patterns of the Business Clients with interesting tendencies.</p>	<p>Threats</p> <p>Economic retraction felt in Portugal; Tendency for raise the orders number but with smaller value per each one - decrease of average sale; Raising of the Low Price Hypermarkets Market Share.</p>
<p>Strengths</p> <p>Biggest portuguese online retailer; Insert in one of the biggest portuguese economic groups; Associated with a brand with a strong brand awareness; Efficiency in the operational processes.</p>	<p>Weaknesses</p> <p>Small weight of COL in the company as a whole (SonaeMC); No access to Loyalty Card data; Low retention rate; COL's Structure: there is no Marketing area; Obsolete IT Systems; Inexistence of a defined STP strategy.</p>

Exhibit 19 - COL's Swot Analysis

The SWOT matrix presented above, help us to highlight important aspects that were retained from this chapter, namely situations presented that justify starting a 1 to 1 marketing program.

Chapter | 3

1:1 Marketing Program

In the next pages, and throughout the Don Peppers and Martha Rogers framework, it will be started a 1:1 Marketing Program to the *Continente Online*.

3.1. Objectives

First of all, it is needed to define the objectives of the proposed 1:1 Marketing Program. The objectives described above obey to the SMART framework which means that the all three are Specific, Measurable, Achievable, Relevant and Timed framed.

3.1.1. Increase the loyalty level of the best customers

This is the first and biggest objective of this work once, as written in point 1.1.4, raising the customers' loyalty has a direct impact on the profits.

According with the Pareto Principle the biggest part of the company's earnings (80%) comes from a relatively small portion of customers (20%). In the *Continente Online* particular case, 33% of the customers provide 80% of the earnings. Although the fact that the clients' percentage is the double of the one referred in the Pareto Principle, the main conclusion of its definition is still relevant. Therefore, it is of utmost importance to retain the "top" customers by creating a relationship with them which will increase the value and importance that the company in their lives. Besides that, it is known that attract a new customer is more expensive than retain an old one, so, if a client maintains a relationship with the brand, if it is more engaged with the company, much probably he or she will not stop buying because of smaller issues like competitor's promotions or a problem with packaging, for instance.

→ Thus, the first goal is to decrease the churn rate by 15% for Diamonds and Golden Clients, in the first year. This means decrease the Diamonds churn rate to around 13% and the Gold's one to 19%.

An additional topic that is important to highlight when we talk about increasing loyalty of the best customers is the Lifetime Value concept. Like we have already seen, the LTV represent the potential of a customer in the coming years, hence, it is important to bet on the segments that have a higher LTV in order to reduce the churn rate of those segments, increasing the probability of bringing major profits in the future.

→ So, there is another goal in order to accomplish this first major objective, to reduce the churn rate in the following groups: "Pregnant women / Babies", "School-age children" and "Young people living alone".

The time-frame chosen for the goals listed above was one year once the intention is to analyse the results and create new and challenging steps every year.

Concerning the second goal, the types of customer chosen were the above mentioned due to some factors, different for each type of customer:

- ***Pregnant Women / Babies***

It is very convenient for the future mom to do online shops and receive the order at home. COL's service helps to avoid the fatigue of going to the store, which in certain cases could be "mandatory" as some pregnant women cannot make any physical efforts, like handling with grocery bags. Besides that, going to a shop with a baby can be a difficult task. This is an important fact to the company because more easily the client sees a higher value on COL's services, being more open to interact with us and remember our company as an "extra help" on this life stage.

Another important thing, regarding this subject, is the fact that pregnant women or the couples/single parents with babies will start spending more money in supermarket products because they have a new family member and are willing to spend more money in better quality products to their babies. This means that the average sale could increase if the company offers the right products at the right time.

Still regarding the fact that the parents are willing to spend more money with products to their babies, this segment could be very important in the future, once it is on discussion the possibility of getting Wells' products on COL's platform. Wells is a health and beauty shop which, among other products, sells baby products like baby milk, baby care products, etc. So, there is a future opportunity of cross-selling in order to improve company's profitability.

Finally, the pregnancy is a time where all parents have doubts, are insecure and want all the help and answers they can get. Regarding this, with the right actions, the communication department could reinforce the relationship between the client and the brand much easier than in a normal context.

- ***School-age Children***

This group of clients was chosen as being one with a higher LTV regarding its future value. In other words, "School-age Children" represent bigger families, and as we know, bigger families need to spend more money on food and other "*supermarket products*". If the company is able to retain these customers, substantial sales could be generated.

Another justification to select this segment as one with the highest LTV is the opportunity of cross-selling. More specifically, through new business as school textbooks, school supplies, toys and other products, it is possible to increase the future value of this segment.

- ***Young people living alone***

Basically these customers have a high potential, not only because of the average sale and the type of products bought, but especially because the future value that they can have. It is probable that these customers will, in the near future start a family, and if we retain them, much probably they will pass to other segments that we already discuss as being the ones with larger opportunities.

3.1.2. Member get member

Evidence showed 82% more willingness for recommending the retailer to friends and family, among customers having high versus a low level of relationship strength.

Carlson Marketing and Peppers & Rogers Group, “Getting It Right in Retail”

Another important objective is to promote the “Member get Member” which means that one of the goals of starting this Relational Marketing program is identify our most loyal customers, our *advocates*, and influence them to bring more people to COL.

As noted in an article published in the Harvard Business Review, called “Why Customer Referrals Can Drive Stunning Profits”, a study of in Germany bank industry, over a period of three years, “...found that customers obtained through referrals are both more loyal and more valuable than other customers.”

It is possible to measure and follow up the accomplishment of this objective throughout the impact on the new clients percentage, meaning that will be compared the number and value of new clients before and after starting Member get Member actions. This will have impact on the registration process (point 3.2.1.) in order to start collecting data about the percentage of clients that starts to come advised by other customers. Besides that, some special campaigns could be launched in order to encourage satisfied customers to promote COL’s services to their family and friends.

The first step towards this objective is to analyse the data and then, only in a second stage of this theme, it will be settled a specific percentage to achieve in terms of new clients brought to COL throughout current customers.

3.1.3. Cross-Selling Opportunities

Last but not the least, there are possible Cross-Selling Opportunities.

If the company, after implementing this project, is able to identify and differentiate customers, it will be also able to better respond to their needs. This response could pass through start selling new products or services, with regard to the client's profile.

As it was explained at point 2.3.2., COL is already searching for new business opportunities and is working closely with some partners in order to get some revenues from advertising. The main goal, now, is to increase those activities but with focus on the clients' segments that really can add value (previously identified).

Raising the advertising revenues should be one step to achieve this objective. By having accurate data, it will be possible to better negotiate with other parties in order to take better advantages. Besides that, if we know our customers, it is possible to direct the communication of the cross-selling actions to the right segment or segments, and with that increasing the probability of success.

Cross-selling with other Sonae's areas could also be a huge opportunity to increase the customer value and the importance of COL as a sales channel.

In order to understand the impact of these activities, in the first year and after putting it in practice, the impact on partners' sales should only be measured after a customized communication to COL's clients, namely those

3.2. Identify

“Unless you can identify a healthy proportion of your Most Valuable Customers in enough addressable detail to distinguish one from another, individually, you cannot be a 1 to 1 marketer.”

Don Peppers and Martha Rogers, 1999

3.2.1. Client's Recognition:

Client's recognition is based on three aspects that in COL's particular case were defined as being the client's name and the log-in and password chosen by the client in the registration process:

- *Something you are* – Name
- *Something you have* – Log-in

- *Something you know* – Password

Continente Online is an online retailer, so clients' recognition is facilitated because each time a client wants to place an order, he needs to access the online shop with its log-in and password, created on the first time he had ordered something.

Therefore, every time the client contacts the company to place an order and throughout the mandatory log-in, it is possible to identify it and assign all interactions to that particular customer.

3.2.2. Registration Process

The registration process is what will enable the company to identify with which customer is interacting every time an order is placed. Besides that, this process allows the company to obtain some information that could be very useful in the Differentiation process.

Current Process

Starting with the private customers, in the registration process the company actually asks the client's name, sex, tax number and some contact information like the e-mail, phone number and address (appendix 3.1.). Other important information that is asked is if the client already has the company loyalty card or not and if it does not, there is the possibility of joining it at that moment. The information mentioned above is required in order to complete the registration, but there are more questions that the client can choose to answer, including if it allows the employees to choose some similar product when the ordered product was sold out, birth date, academic qualifications and profession, number of the household's elements and the number of children. Besides that, the company also asks if the person is a regular *Continente* stores' client, if he has already done online shopping or not and what is the internet connection that he uses (appendix 3.1.).

Regarding the specific case of business clients, almost everything is the same, except that the company does not ask the sex of the client neither the birth date, academic qualifications, profession and information about the client's family. Besides that, data about the shopping habits and the internet connections is not asked, and has been substituted by two questions: company's dimension in terms of staff and the activity sector (appendix 3.1.).

In terms of permissions, the only question that is made is if the client allows or not the supply of the data to other Sonae's companies.

Proposal of a New Registration Process

“Devise strategies for collecting more information.”

Peppers and Rogers, 1999

The registration process is a huge opportunity to get customers' information because if someone is going to the company's web-site and wants to create a log in, it is because he is interested in the services provided, or at least has thought about that. Therefore, it is important to get as much information as possible at this moment, and, in my opinion, the company has failed to do so.

Private Customers

The first step in order to get full advantage of this moment of interaction is to stop collecting information that does not matter. Thus, regarding private customers, it is important to eliminate the following questions:

- Academic qualifications
- Profession
- Client's internet connection
- If the customer has already done online shopping
- If the client usually goes to offline *Continente's* shops.

Secondly, there are some questions that should be introduced in this first interaction, having in mind the suggestions of Don Peppers and Martha Rogers in the book *One to One Field book – The Complete Toolkit for Implementing a 1to1 Marketing Program*.

In order to define the proposal for the new registration process of Private Clients, a benchmark analysis was performed taking into consideration two main companies: Tesco and Ocado (appendix 3.2.). Jumbo's registration process was also analysed, but the add-ins were not so valuable.

The first change is to divide the registration process in two different steps. The first one with common questions, almost every mandatory, and a second one with questions that will allow the company to collect more information about the customer, namely to the differentiation process.

Starting a One to One Marketing Program

Therefore, the first step of registration process should include the next questions, being “Other contact”, “Second Address” and the questions about the Loyalty card and the preference for products tagged in Braille, the only ones optional:

- | | |
|---------------------|--|
| 1. Name | 8. Tax Number |
| 2. Birth Date | 9. Continente Loyalty Card? |
| 3. Sex (F) (M) | 10. Log-in |
| 4. E-mail and phone | 11. Question relating to the process of replacements |
| 5. Other contact | 12. Question relating to products tagged in Braille |
| 6. Address | |
| 7. Second Address | |

The final two questions of this registration part should be about the contact permissions and should be mandatory:

13. “With regard to promotional communication, with which frequency to you allow Continente Online to contact you?” Never () 1x Week () 2x Month () 1x Month ()
14. “And through which channels do you authorize the communication?” E-mail () Telephone () SMS ()

It was decided to highlight these two questions because of its importance. They will allow the company to be aligned with the client and not to disturb it with excessive contacts or in channels that the client perceives as abusive.

Regarding the second part of the registration process, all the questions should be optional and be introduced by the next sentence:

“In order for you to have access to possible customized promotional campaigns in the future, we ask you to kindly answer the following questions”

This sentence has the purpose of explaining the client why is the company asking all the questions and add s an extra benefit to the customer, the possibility of benefiting from future campaigns specially design for his client’s profile.

Hence the questions that should compose the second part of the registration process are:

15. People living with you. Number
16. Is there any children? Y () N ()
17. If yes, how old are they? 0-5 () 6-12 () 13-17 () >17 ()

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18. “Does anyone living with you fall in any of the conditions below?”

Allergic to Gluten () Lactose Intolerant () Diabetic () Vegetarian ()

19. “Are you a usual buyer of dietary products?” Y () N ()

20. “Dietary Restrictions/ Products you do not consume”

Alcoholic Beverages () Meat ()

21. “Where do you usually do most of the shopping?”

Continente ()

Other On-line retailers ()

Other Hypermarkets / Supermarkets ()

The purpose of questions number 18 and 19 is to identify special consumer patterns that could represent some niche markets. The questions number twenty aims at preventing the communication of products that the customer is not interested in or could consider offensive - as in the case of alcoholic beverages. Question number twenty one is the first approach to try to define the customer’s share of wallet.

Business Clients

Concerning business clients, it is not important to know the number of employees neither the activity sector. Instead of this, COL should ask about the client’s activity area (appendix 3.1.):

“Company activity area”

- Education: Preschool; Elementary School or High School; Higher Education; Other activities related to education and training.
- Social Support: Social Support for the elderly – Nursing Homes or Other social support activities for the elderly; Social Support for children – Children’s Homes or Other activities of social support for children; Other social support activities.
- Healthcare activities
- Hospitality and Catering: Accommodation; Coffee Shops; Restaurants; Others.
- Other Activities

3.2.3. Identification

“Until your business knows and remembers the identities of at least some portion of your individual customers, launching any kind of program that depends on treating different customers differently will be impossible.”

Don Peppers and Martha Rogers, 1999

How to define the customer

The first step is to define the customer - In order to answer the question above, the first thing to do is to define some concepts:

- **Registers' Data Base** - Any registration is part of this database but we will only focus on clients.
- **Log** - Only a registration. Potential customers that have never done a single purchase in the platform - *prospects*. It is necessary to do something in order to transform this log into a new client.
- **Client** - Registered customers who made at least one purchase with the *Continente Online*.

Now that who a client is has been defined, the metrics to identify the ones that are currently using the COL's services will be presented.

3.2.4. Active, Inactive or Re-active Client

The first step in order to create a CRM system is to identify the company customers and for that, we need to know how many they are. Beside the fact that it is important to know the size of the clients' portfolio, we also need to determine the number of customers that are buying at the moment, and how many of them have stopped buying with *Continente Online*. So, in the next paragraphs we have some definitions that will allow determining the basic data that is needed (appendix 3.3.).

- **Dropping Client** - A client who does not shop for more than six times the average order time or four times the general average order time of the analysed period.
- **Inactive Client** - A client who were identified as “Dropping” and did not responded to a recovery campaign. In this case it is necessary to take measures in order to make the customer come back to *Continente Online*.
- **“Re-Active” Client** - This status is a transitional one because defines a client who has been inactive but recently made a purchase reacting to a special campaign that successfully aimed to bring it back to COL. This status should only have the duration of one month.

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After that the customer who belonged to this group will be transferred to the group of active customers.

- **Active Client** - An active Client is a client that does not fit in the other categories. This means that is a customer that makes regular purchases with the company.

Another important thing to discuss is the time that passes since a customer has the Inactive status or since someone registered itself in our system and never places an order (Log).

So, both Inactive Clients and Logs were divided in three possible groups according with the time passed since they have that status (appendix 3.4): *Recent* - under two years; *Workable* - from two to four years and *Dead* - more than four years.

This analysis is important because the approach to these clients and prospects should not be the same, and their willingness to respond may be considerably different.

3.2.5. Data Analysis

This point aims at putting in practice the methodologies and concepts explained in the previous points, drawing some conclusions. This process should be continuous like it is said by Don Peppers and Martha Rogers in *One to One Field Book*: “Verify and update customer data and delete departed individuals”.

Registers’ Data Base

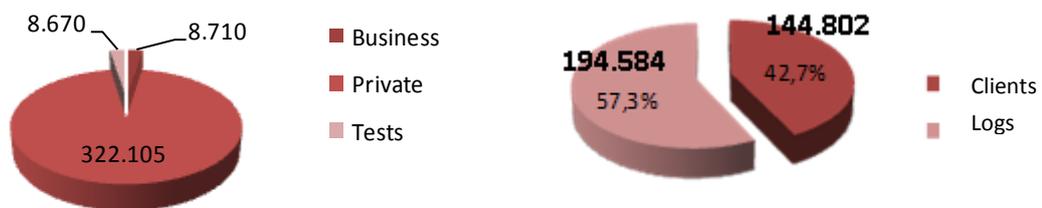


Exhibit 20 – Data Base division by segment, 2011

Exhibit 21 – Data Base division through Clients and Logs, 2011

From almost 340.000 registers (95% private) only less than 145.000 – roughly 40% - fulfil the criteria to be considered a client, meaning that they had at least placed one order with COL.

Active and Inactive Clients

Going ever further, only less than 16% of the initial data base registers represents active clients. Logs and Inactive Clients together represent the other 84%. From the 16% of active clients, once again, 95% are private customers.

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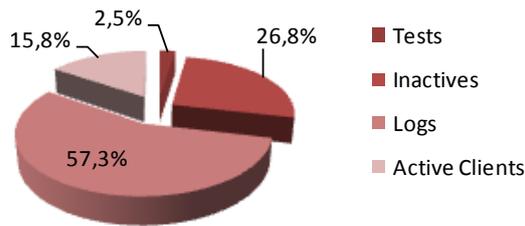


Exhibit 22 –Data Base division by client status and Logs, 2011

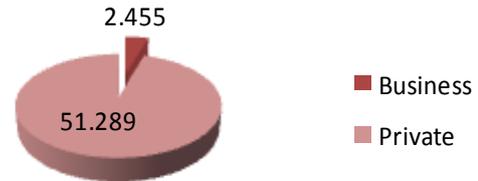


Exhibit 23 – Active Clients by segment, 2011

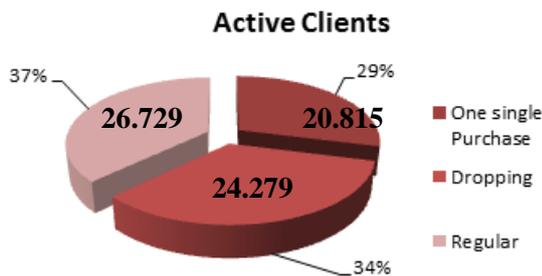


Exhibit 24 –Active Clients: One Purchase, Dropping or Regular

As it is possible to verify in the exhibit 24, only 37% of the clients has a regular behaviour regarding their frequency of purchases. Another aspect to take in consideration is the weight of the customers with a single purchase during 2011, 29%.

Still regarding the clients with a single purchase, 85% of them were new clients. This is an important aspect and was the driver for further analysis: from the clients with a single purchase in 2010, 67% turn in dropouts in 2011, 15% repeat the behaviour in 2011 and only 17% increase their value and placed more than one order in 2011. Therefore, the capacity of retain customers that experiment the COL's services is very low.

Below, the graph on the left shows how registrations are divided according to their maturity. We can conclude that one third of the registrations have more than 4 years, with only 16% having less than two. The graph on the right looks only for Inactive Clients. The majority of them, 78%, did not place any order for more than 2 years.

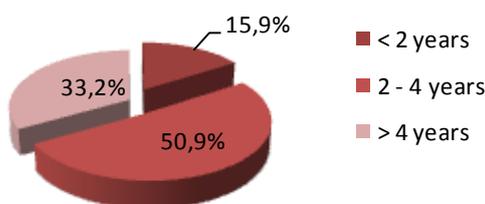


Exhibit 25 – Logs Maturity, 2011

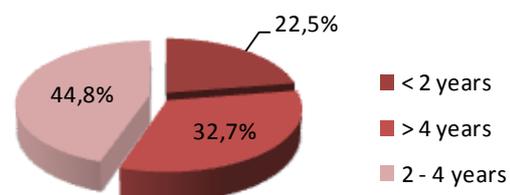


Exhibit 26 – Inactive clients Maturity, 2011

3.3. Differentiate (Values and Needs)

First, rank your customers by their value to your enterprise, then differentiate them by what they need from your enterprise.

Peppers and Rogers, 1999

3.3.1. Loyalty indicators

The approach adopted to select the criteria to evaluate clients was based on two of the three loyalty indicators: (1) Purchase's Frequency and (2) Average Sale. The remaining loyalty level indicator is Seniority, but it was decided not to consider it as a criterion for client valuation once, as it is possible to see in the point 2.2.3. *Customer Retention*, 70% of the customers are with COL for less than two years and it was impossible to identify the seniority of 10% of the universe. Thus, adding this criterion would not add any value to the analysis.

In the analysis of the charts presented below, stands out an interesting fact, 34% of the clients do not have frequency of purchase, which means that only placed one order in 2011. Those clients will be excluded from the value analysis because adding it would not bring value added to the analysis.

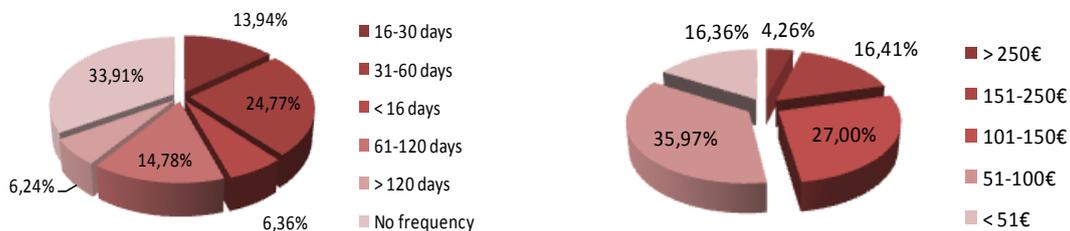


Exhibit 27 – Clients' Frequency of Purchase, 2011

Exhibit 28 – Clients' Average Sale, 2011

3.3.2. Ranking Customers Regarding their Value

Identify your organization's top customers and determine customers who cost you money.

Peppers and Rogers, 1999

Divide all customers' in As, Bs or Cs and decrease the efforts on Cs and increase for all As.

Peppers and Rogers, 1999

As it already explained in the previous point, the two criteria that were chosen to differentiate the customers according to their values were the Average Sale and the Frequency of Purchase.

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The ranges presented were defined jointly with Sara Teixeira, co-supervisor of this project and manager of COL’s Contact Centre, and had as basis her business knowledge combined with the literature review performed.

Frequency	< 16 days	16 - 30 days	31 - 60 days	61 - 120 days	>120 days
Average Sale					
Very Small Shop _ < 51 €	Bronze Clients		Tin Clients		
Small Shop _ 51€ - 100€	Silver Clients				
Medium Shop _ 101€ - 150€	Gold Clients				
Large Shop _ 151€ - 250€	Gold Clients				
Very large Shop _ > 250€	Diamond Clients				

Exhibit 29 – Clients’ Valuation Method

Exhibit 29 summarizes all the criteria that customers’ need to fulfil in order to be assign to a specific type, being the 1 the most valuable and the 5 the less valuable: (1) Diamond, (2) Gold, (3) Silver, (4) Bronze, (5) Tin.

The principal aspects to have in mind regarding this classification is that orders below 50€ never covers the handling, transport and contact costs and in orders between 50€ and 100€, it will depend of the baskets’ composition because COL has different margins regarding the products’ type. Besides that, more than two months without placing an order demonstrates low commitment with the company. COL sells groceries, no one pass more than one month without buying this type of products, so, clients that only buy from the company with a frequency above 60 days are not so engaged and has margin to grow.

The next step is to analyse the assessment of the clients to the different types defined previously in this point (exhibit 29).

As it is possible withdraw from the exhibit 30 in the next page, the tendency felt is the reduction of the top clients’ weight – the Diamond clients decrease from 2,3% to 1,7% and the Gold from 33% to 26,7%. This situation is not only COL’s fault, once as it was already explained, Portugal is crossing difficult times regarding economic aspects and that has direct impact on the companies, with a generalized consumer retraction.

Another interesting fact is the expressive value that each Diamond customer represents, 1,7% of the clients generate 10,8% of the sales. If we compare this with the Tin clients where 6% of the clients only represents 1,8% of the sales or even with the clients that only placed one order – 39% of the clients generate 8,8% of the sales, the conclusions are obvious. Invest on top and clearly disinvest at the bottom clients.

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Exhibit 30 – Clients’ Distribution by their Value and Corresponding Sales

In the next exhibit is present a possible curve of client development that illustrate the 2010 clients distribution through the different types and the number of inactive clients that had resulted from each type.

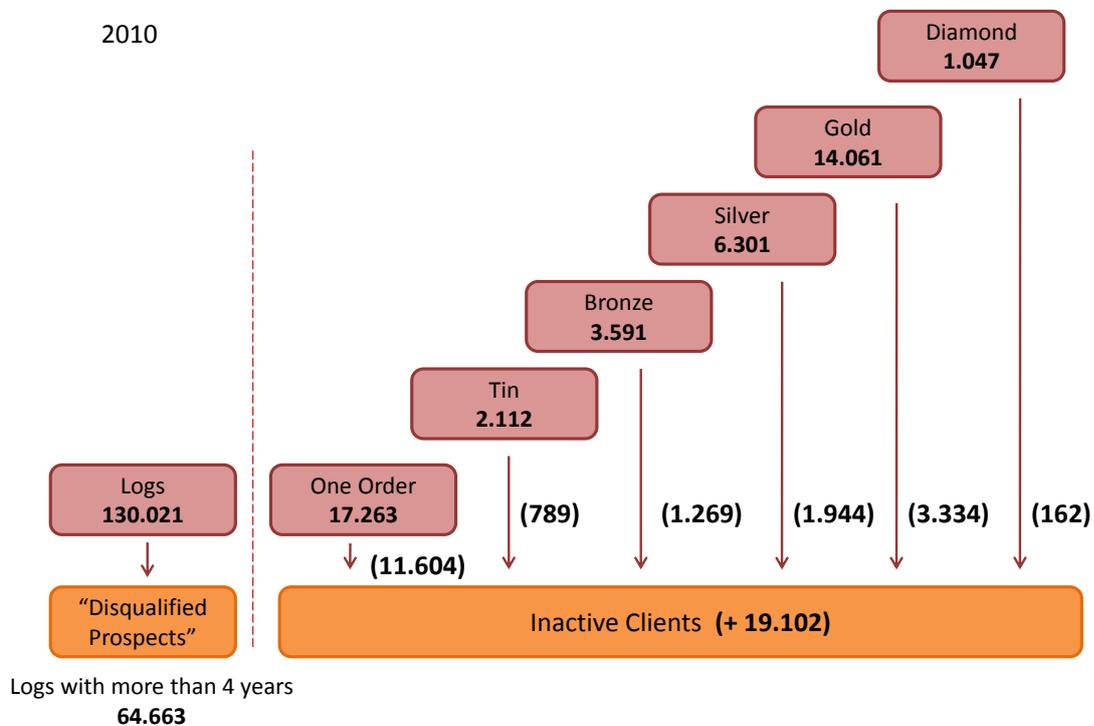
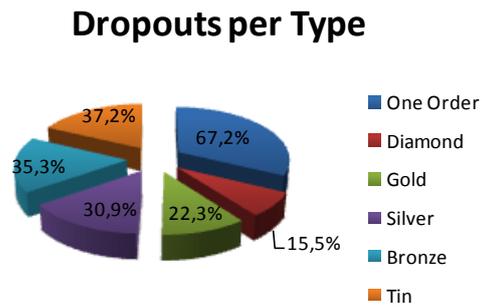


Exhibit 31 – Clients’ Development Curve, 2010 – 2011

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Regarding the dropouts analysis, the Diamond clients present a churn rate 20% inferior that the one registered in the Bronze clients, 15,5% against 35,3%. Clients who only placed one order are the ones with a higher churn rate – 67,2%.

Exhibit 32 – Dropouts per Clients' Type, 2011

Categorizing Customers

Don Peppers and Martha Rogers advocate that “*After ranking your customers, the next step is to identify which ones fall into each of three distinct types of value – MVC, MGC and BZ.*”, being MVC the acronym for *Most Valuable Customers*, MGC means *Most Growable Customers* and BZ *Below Zero*.

Having this in mind, we can clearly identify the Diamond and Gold clients as the MVC, meaning that the primary objective regarding these clients is *Customer Retention*. They are the core of the business. The Silver and Bronze clients are the MGC. These customers could be, in principle, more profitable than they are now, though the main objective is *Customer Growth*, which could pass by cross-selling actions. Tin clients are those who probably never will generate enough profit to justify invest in them. The strategy for these clients should be to encourage them to become someone else’s unprofitable customers (Peppers and Rogers, 1999).

3.3.3. Client Lifecycle - Segments

The segmentation present below was based in Psychographic criteria (point 1.6.2. of the Literature Review) with a strong emphasis in the Personal Factors, namely the age and the stage in the life cycle. This choice was based on the type of products that COL sells; he is mainly an online hypermarket, so the composition of the household is of extremely importance in other to better respond to the clients’ needs.

In each point were described the customers’ characteristics that could be used to assign each one to a segment and some ideas of how it can be operationalize this process. It is important to refer that once this step was not operationalized further development of the criteria and new ways of collect information to complete the data base should be performed according with the limitations that certainly will arise.

Young people living alone

This segment is composed by, as the name indicates, men or women that live alone or young couples without children, that have less than 35 years old. It is important to have sub segments to each one of the cases: (1) Men; (2) Women; (3) Couples.

The registration process that is suggested in this work (point 3.2.2.) is enough, if properly filled, to collect the necessary data to assign the customers to this segment, namely through the questions number 2 and 3 – Birth Date and Sex; and the questions number 15 and 16 – Household composition.

People living alone

There was the necessity of separate this segment from the previous regarding the consumer patterns that usually changes with the age and the communication approach should be necessarily different. So this segment is composed by men or women that lives by their self and have more than 34 years old.

Like in the previous segment, the registration process is the main input to the information needed to assign the clients to this segment.

Mommies and Babies

With a relevant LTV and enclosing opportunities to grow, namely through cross-selling, the *Mommies and Babies* segment is very important. This segment is composed by pregnant women and families with babies until 5 years old and needs a little more information than the previous segments.

Besides the obviously analysis of the data collected from the registration process, more specifically the answers number 15, 16 and 17 – questions regarding the household composition; it should be defined and operationalized an “alert” methodology like the one expressed below:

When a client starts buying some specific products like diapers, baby wipes, baby clothes or baby bottles pass to this Lifecycle. How do we do this?

1. The client buys something – more than x products and more than once; in the Baby area of our site or products identified as “Baby products”;
2. An e-mail is sent, or is made a telephone contact, in order to ask if something is changing in the family - “Hello, we notice that you buy baby products, do you allow me to ask if you are expecting a baby or if you are a new mommy now?”. How it

comes into contact with the customer depends on the type of client and the previous guidelines provided by them.

3. Ask to the customer if the company may register the information in order to customize the offers to the client.

School-age children

This segment is composed by families with children from 6 to 17 years old. It were created two sub-segments because of the much different needs felted by people who have children to take care regarding their ages: (1) Children with more than 5 but less than 13 years; (2) Children with more than 13 but less than 17 years old.

The information needed to assign the clients to this segment could be withdrawn from the registration process but also could arise from the next two situations:

- Was previously identified as “Pregnant women / Babies” and already pass 5 years from the pregnancy;
- Starts buying school supplies.

As it is explained in the previous point, with exception of the data collected through the registration process, all the assumptions should be confirmed by the client through a contact.

Couples without children or couples / single parents with children oldest than 17 years

This segment basically comprises the families only composed by adults and are not included in the *Young people living alone* segment

Besides the registration process information that could help to assign a segment to each customer, also the clients that was defined as School-age children could pass to this segment.

Seniors

I chose this customer profile because I think that this type of customers’ needs a specific communication, besides the fact that probably in terms of consumption they are similar to other adults. The main information that is necessary is the Birth Date in order to identify the customers with more than 60 years and ask them if they are already retired.

Grandparents

This segment is only the combination of the *Seniors* and the *Mommies and Babies or School-age Children* and was created in view of differentiate the communication, once these clients have interest in babies and children products despite the fact that are seniors.

3.3.4. Differential Trends

Another aspect that should be taken into account are some different consumer patterns that could represent opportunities to grow, or that could be relevant to an accurate customization.

Three groups were identified regarding this topic:

1. Pets: Dogs and Cats;
2. Alcoholic beverages: Wine and Beer and Liquors and spirits;
3. Health problems / Food restrictions: Lactose, Gluten, Vegetarians, Sugar Free Products, Diet Products, Frozen Products, Fresh Products, First-Price/Continente Brand and Incontinence Diapers.

Concerning “Fresh Products”, the analysis can go deeper r, dividing it into subgroups: Bakery, Butcher, Fishmonger and Fruit & Vegetables. For each group a division between packaged products and loose products should be performed, once the last ones require the intervention of a COL’s employee to choose the products instead of picking a package ready to go, and this could be one cause for customers’ avoidance regarding this type of products.

The methodology to identify the customers with these special trends is simple: except for the “Diet Products” and “First Price/Continente Brand”, when the client performs the third shop, within a year, the customer will be identified as being part of one group. About the “Diet Products” and “First Price/Continente Brand” trends, it is a little more complex. If the client bought in three different orders, within the same year, diet products or first price/Continente branded products that represent more than 20% of the groceries, he will be identified as being a regular customer of these types of products. The registration process can also contribute with information to this analysis as it is possible to see in point 3.2.1. *Proposal of a New Registration Process*.

Besides the obvious aspect that if the company communicates the products that the customer really needs, the probability of success of that communication increases, there is another relevant aspect concerning the fact that some customers may feel insulted by the communication of products such as alcoholic beverages.

3.3.5. Business Clients Segmentation

Regarding Business clients, the segmentation relies on the distribution of the clients through the industry where they operate in. Almost every business client was assigned to a CAE code

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and after that, an exploratory data analysis was performed in order to understand which ones were significant and which ones could be aggregated in the same segment.

4 different segments with sub segments inside were created in order to better analyse which type of companies should be COL's target. Besides that, it was also taken into account if the industry presents some traceable consumer patterns as for example baby products to the Preschool segment or incontinence diapers in the Social Support segment. In appendix 3.5 is possible to see the top three clients of each segment and their annual sales.

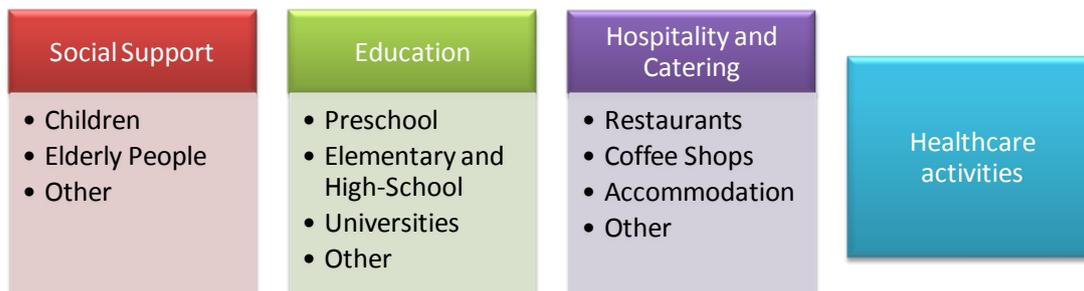
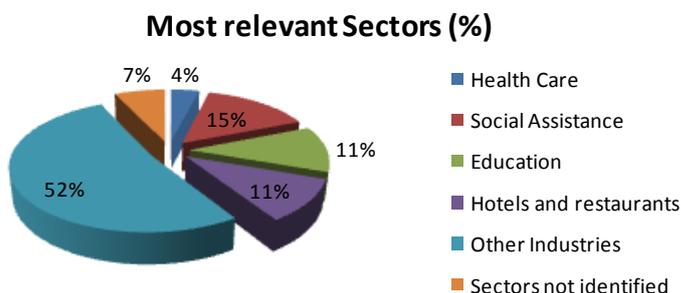


Exhibit 33 – Business Clients' Segments



By analysing the chart on the left, it is possible to realize that the segments only represent roughly 40% of the Business' sales.

Exhibit 34- Business Sales per Segment, 2011

This happens because the distribution among different activity sectors is so huge that turns impossible to create more significant but workable segments. Besides that, 7% of the sales come from "Sectors not identified", this group represents the clients that it was impossible to assign to any CAE. Regarding the four segments, the Social Support (15%) jointly with the Hospitality and Catering (11%) and the Education (11%) are the most important ones and present a very similar contribution for total sales. In appendix 3.6 it is possible to analyse the sales' distribution through the sub segments that compose each of these three major segments.

3.4. Interact

“Engage your customers in an ongoing dialogue that enables you to learn more and more about their particular interests, needs and priorities.”

Peppers and Rogers, 1999

This step of the framework is essential and is the basis for all the others once it is the one that provides the necessary information for identifying and differentiating customers, and provide the necessary inputs for a properly customization of the Marketing Mix.

Thus, and since this is an online business, there was no need to develop the ways to collect the necessary information, only to expose some aspects that could be improved in order to better collect relevant information.

3.4.1. Web-site - Ordering

Regarding the website, after a Benchmark analysis (appendix 3.7.) it was possible to retain some conclusions:

- Usually products appear on more than one tab – Different clients have different ways to search for the same product;
- There are tabs for some specific types of products that could represent a special trend. For example Ocado and Tesco have a special tab for organic food and one called “Speciality” that incorporates sub tabs such as “Gluten free” or “Milk free”, among others.

These two facts are important from two different perspectives: the clients’ shopping experience and the capacity of the company to analyse the data collected from the placed orders.

From the clients perspective this two suggestions could reduce the time they spend searching for products, and, consequently, their satisfaction level.

For the company this could reduce a lot the time and effort expended in assigning the customers to their segment and identifying the ones with different trends (points 3.3.3. and 3.3.4.). Why? Because nowadays the system gives us a report with all the products sold to each customer but do not aggregate them per types. The maximum that is possible to do is to select all the products that are inside a website tab. So, this measure also improves the capability of treating the data in time and prevents errors because the range of products changes every day but website tags do not.

3.4.2. First Order Quiz

After putting the first order, the client receives an e-mail asking to answer to a quiz. The questions asked are the following:

1. Was it easy to place the order in our web-site? Yes or No.
2. If you answered No in the previous question, please tell us what problems did you find out?
3. The delivered products were well packed and arrived at your house in proper conditions? Yes or No.
4. If you have ordered fresh food, was it delivered as requested? Yes or No.
5. If you answered No in any of the previous two questions, please tell us what the problems were.
6. If you did not order any fresh food, is there any special reason not to? I cannot choose properly; Other reason, what?
7. Are you satisfied with the Continente Online service? Yes or No.
8. Other commentaries.

The first highlight that is important to do is the fact that there are three open questions (and a “sub question”) in a quiz with only eight questions. This fact increases the difficulty level to analyse the data collected and turn it into valuable information. Another aspect to retain is the fact that currently this quiz is not used properly and almost none conclusions are drawn from it. This represents a waste of a unique opportunity to collect information about the service from clients who just started ordering from COL. Besides that, COL is just bothering their customers, asking for their time, without giving feedback, once the problems that customers have identified in the quiz will remain the same in a next order (with all the negative impact on the satisfaction level that that might have).

“More and more these days, companies are taking the side benefit of interaction with no intention of trying to incorporate a customer’s feedback into a 1 to 1 strategy.”

Peppers and Rogers, 1999

The suggestion made is to keep the questionnaire but change the questions:

1. Was it easy to place the order in our web-site? Yes or No.
2. If you answered No in the previous question, please select from the options available the ones that justify it: The website crashes; Slow website; I spend too much time searching for the products; other.

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3. The delivered products were well packed and arrived at your house in proper conditions? Yes or No.
4. If you answered No in the previous question, please select from the options the ones that explain your answer: I have received broken/open products; Products were mixed in the same bag (ex. Food and detergents or hygiene products, etc.); I have received products that I did not order; other.
5. If you have ordered fresh food, was it delivered as requested? Yes or No.
6. If you answered No in the previous question, please select from the options available the ones that explain your answer: I have received different products than the ones I have ordered; the quantities were wrong; the products were not fresh; other.
7. If you did not order any fresh food, is there any special reason not? I cannot choose properly; I do not know how long the products wait already packed before I receive the order; I do not know where and how the products are stored before I receive them; other.
8. Would you recommend our service to friends or family? Yes or No.

The principal difference between the current questionnaire and the suggested one is the fact that there are none open questions which reduces the difficulty of analysing the data collected. Besides that, the question “Are you satisfied with the Continente Online service? Yes or No.” was substituted for “Would you recommend our service to friends or family? Yes or No.”. This change was performed according with the stated in point 1.9.2 of the Literature Review: Frederick Reichheld (2003) suggests that the only question that really matters is “*Would you recommend this product or service to a friend?*”.

But changing the questionnaire is not enough, it is crucial to start using the information collected. So besides analysing the data collected in order to better understand new clients’ satisfaction level with their first order, the company should contact the ones that answered “No” in question number 8 in order to show its concern, better understand the reasons that led the client to answer that, and show willingness to change what was needed in order to not repeat the mistakes performed. The goal is to avoid clients who give up ordering a second time and would have a negative image about COL’s services.

3.4.3. Suggestions and Complaints

In the customer management coordinator words: “*For us complaint means any expression of dissatisfaction shown by the client*”. This sentence is translated in the fact that not only the formal complaints are taken into consideration, but all the contacts done by the client.

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Next and in order to better understand customer's satisfaction levels, it will be presented some charts with relevant information.

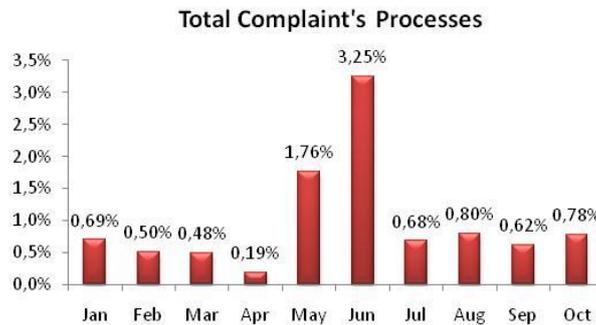


Exhibit 35 - Complaints per Total Orders' Number, 2011

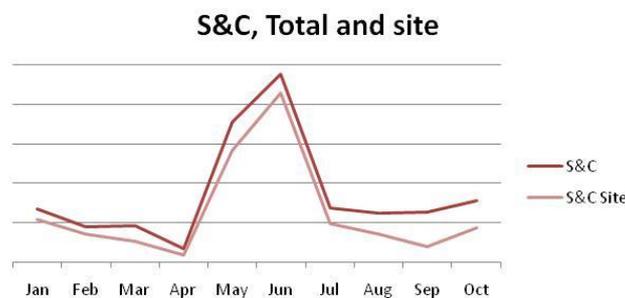


Exhibit 36 - Total Suggestions and complaints vs. complaints about the site, 2011

Regarding complaints, Continente Online has, on average, a lower rate per order than the main brand. On average, only 0.87% of the orders result on a complaint.

As it is possible to see in exhibit number 36, for the client the worst thing about COL's service is the website. Around 73% of the complaints are about the website and 20% of the website complaints are about the unavailability of the same.

Represented in exhibit 37 are the different ways of receiving complaints in percentage. As it is possible to see, most clients prefer to call the call centre (57,48%) or send an e-mail (42,52%). The others ways are by letter, on the complaints book (in the shops) or by fax.

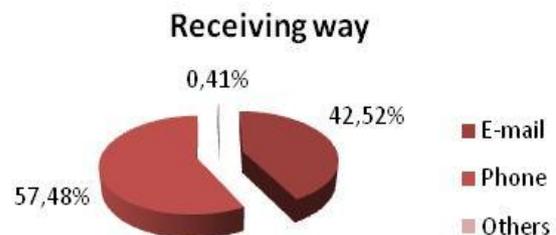


Exhibit 37 - Complaints' receiving ways, COL 2011

Handling suggestions and complaints is the most important task of the Contact Centre and because of that, some actions were taken to improve this service. One of the measures taken is the certification of the company's Suggestions and Complaints' management system by the NP ISO 10002:2007 which brought some regulations and timings to obey, namely:

- All the S&C must be registered in the IT system until 24h after receipt of the same;

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- The first contact with the client should take place in two working days in order to inform the client of the forward process;
- The communication of the decision / closure of the complaint , should be completed within four working days;
- Regarding suggestions, it is only mandatory one contact with the client without a pre-establish deadline.

Next, it will be presented further information where it is possible to understand COL's situation regarding compliance with the measures described above.

As can be seen in the adjacent chart, the average registration time has always a higher value than the ideal one (one day). The company takes, on average, 2 and half days to register the complaints, which translate a necessity of improving in this subject.



Exhibit 38 – Complaints' Average Registration Time in Days, 2011

It is important to highlight that the monthly average presented includes some weekends and holidays, so it is possible that the real delay from the ideal registration time has been lower than that presented.

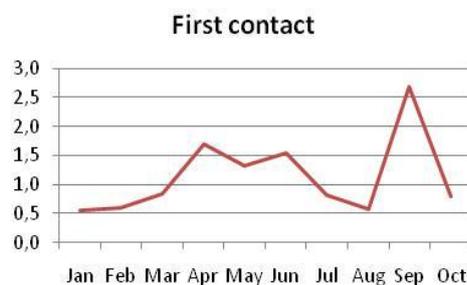


Exhibit 39 - Average Time of First Contact, 2011

As it is shown in exhibit 39, only in September the average time of the first contact exceeded two working days. On average, taking into account the 2011 months until October, 1,1 days is the time taken, which is a very good value for this indicator.

The target set by the company is to keep the percentage of the first contact made after a client's claim before the third working day, above 75%.

As it is shown in the exhibit below, only in May the company did not comply with the objective. Overall, this indicator has shown a very good performance: approximately 85% of the clients had been contacted in two working days (appendix 3.7.).

Regarding closing times, the scenario is not so good. As it is shown in the exhibit 41, almost every months the average exceed the four days required by the certification. But still, the majority of the cases (59,5%), are closed within the ideal time (appendix 3.7.). The

Starting a One to One Marketing Program

company's objective is, like in the first contact case, that 75% of complains are closed within four working days, but only in October 2011 this goal was achieved. Nevertheless, the trend is the improvement of this value.

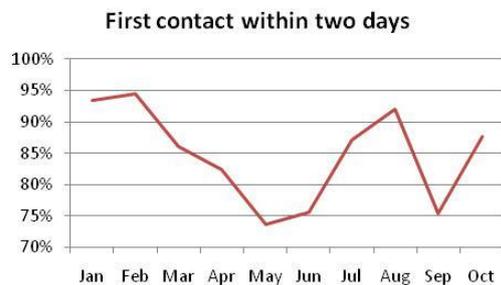


Exhibit 40 – Contacts performed within two working days (%), 2011.



Exhibit 41 - Average time for close a complaint, 2011

Suggestions to improve

In order to improve the service it was important to analyse the 5 top reasons that make customers call, not only complaints reasons but also doubts or suggestions.

This measure could bring some highlights about how to reduce costs. Why? Because if we discover ways to reduce calls driven by doubts, we reduce the Call Centre costs and the extra effort made by the client. Besides that, the top complaints' reasons analysis is one of the better inputs to increase the service level and reduce the probability of clients' dropouts.

Another suggestion is to every month contact all the Diamond clients that performed a complaint in the past month in order to receive some feedback about the process and clients' satisfaction level. This demonstrates that company cares about their opinion and wants to do everything in its power to raise the shopping experience of "special" clients. These clients are the most valuable ones, so it is important to raise their satisfaction level in order to raise their loyalty level which could be translated in the reduction of dropout's probability, sales growth and by consequence, the raise of the company's profits.

3.4.4. First-line employees

First-line employees represent a huge opportunity to collect feedback from customers once they are the ones dealing directly with them, capturing their reactions and feelings regarding the company's services.

Concerning COL's reality, there are three different groups of front-line employees: the drivers, the call centre's assistants and the contact centre's team. The last ones only intervene

in situations that need special treatment, namely serious complaints that could have a huge impact on the company's image.

Thus and once this is a topic that has not been explored by the company, some actions are suggested:

- Ask the drivers to fill in a form in the end of the day where they could report some talks they had with the clients' that could express positive or negative feedbacks about the service, always identifying the client properly.
- Perform monthly meetings with the drivers in order to collect some information about the clients reactions and feedback expressed in the moment of the delivery;
- Give proper training to COL's contact centre's team in order to prepare them to possible situations;
- Follow the call centre assistants' performance and incentive them to register client's feedback about the service and/or feelings expressed by them during the talk.

3.4.5. Data Update

In order to continuously update customer's data, it is important to perform some outbound contacts especially regarding two different topics that are related with the points 3.3.4. *Client Lifecycle - Segments* and 3.3.5. *Differential Trends*:

- Contacts to know the clients' lifecycle and different trends – Update of the registration data;
- Clients' confirmation after we notice consumption pattern.

It is important to perform these contacts in order to collect information and have an accurate segmentation, the basis to a successful customization. These contacts should start with the most valuable clients and should be performed through e-mail communication first, or if the customer's contact permissions allow, in the most valuable customers' cases, could be performed by telephone.

Another relevant aspect is the fact that in course a project to launch a new website platform with some interface changes. This could represent an opportunity to invite clients to review the data that is collected in the registration process, for example with this simple sentence when client log-in: "We are working to improve our services' quality. We changed the website and want to know you better!", "Enjoy the opportunity to know the new personal data

area and in order to access special campaigns, we kindly ask you to answer the presented questions.”

To eliminate long-time logs is another concern. As we already analysed in this work, they represent a significant part of the data base - more than 57% - and from those, almost 16% has more than 4 years. This situation increases the data analysis' difficulty level and does not bring any added value. Thus, an email should be sent to all logs with more than 4 years inquiring whether the customer would like to maintain or not the current registration, in order to eliminate useless ones. If the client does not respond within 15 days, the log would be eliminated.

3.5. Customize

”Act on what you’ve learned. Use your knowledge about individual customers to customize the way you treat them.”

Peppers and Rogers, 1999

”The greater the level of customization, the more loyal customers will become.”

Peppers and Rogers, 1999

“When communications are too low or too many, relationship strength suffers. On average customers prefer monthly communications (40%), with some desiring more, 31% for weekly, and others less, 12% for quarterly”

Carlson Marketing and Peppers & Rogers Group - “Getting It Right in Retail”, 2007

This step of the Don Peppers and Martha Rogers framework was left for future development, but it was inevitable to trigger the reader for the importance of it, since, bottom-line this is the only step perceived by the customer as being part of a One to One Marketing Program.

Long story short, the main thing to do regarding this topic is to customize the Marketing Mix of the company for each segment in order to better respond to customer's needs.

Obviously this takes time and effort, so it is important to analyse the objectives set in point 3.1 and start by the customers that most could contribute to the accomplishment of those goals.

Other aspect that should be taken into consideration is the fact that regarding COL's activity it is almost impossible to customize the service for every single customer. So, the answer to this obstacle relies on the Mass Customization, explained in the point 1.4.4 of the Literature Review.

Chapter | 4

Conclusions

This chapter aims to translate a Summary of the work performed through this thesis, from all the research necessary until the final outputs.

4.1. Next Steps

Once this work is about *Starting a One to One Marketing Program* there are obviously ways to continue and improve it, so it was created this section in order to give some guidelines for future work.

4.4.1. Assign clients to a segment

It was not possible, in due time, to assign COL's customers to the appropriate segments defined in this thesis since the necessary data was not yet available and software and hardware equipment were not the adequate ones for a proper and effective processing of the currently available data, in a reasonable period of time.

Without associating each customer to a specific segment, it will be impossible to customize the marketing mix, and consequently, change the current marketing paradigm – mass communication and undifferentiated service.

4.4.2. Define a STP Strategy

Since the segmentation criteria are already defined, after attributing customers to their segments (see 4.1), it will be possible to verify customer's distribution, both in terms of value and number, among the different COL's segments.

This is a crucial point to identify the trends and weights each segment has within the company, so that *Continente Online* has the ability to know their clients and who are the best segments to target, trying to attract new customers or improving the retention rate, customer lifetime value, and, consequently, company's profitability.

To what positioning is concerned, and if the strategy adopted is to separate the online brand from the offline retailer, brand positioning may have to be re-thought in order to capture the appropriate level of profitability.

4.4.3. Work on Business Clients

Business clients, though representing a small percentage of total clients, are considerably important in terms of value for the company. After the analysis conducted in the elaboration of this thesis, interesting business customer characteristics were found, allowing me to say that more attention should be paid to these customers. Special communication, as well as a bigger proximity, actually establishing a relationship with them, may be the appropriate path to follow.

4.4.4 Evaluate the Share of Wallet

After attributing customers to segments, and collecting significant data on them, the company should target the most profitable ones. With the understanding of who they are, how much they spend, how they spend it, and other relevant trends, COL should focus itself on developing strategies to allow it to capture a bigger share of wallet.

4.4.5. Member get Member Actions

With all the relevant information about customers compiled, namely who are the most profitable ones, COL should encourage these customers to bring new clients, rewarding them accordingly. The best clients should be, not only the best in value, but also those without any complaint (probably more satisfied with the company and better “ambassadors”).

4.4.6. Identify Customers with Complaints

“Find the customers who have complained about your product or service more than once in the last year and baby-sit their orders. Call them and check up on your progress. Get a product or quality person in touch with them ASAP.

(Peppers and Rogers, 1999)

Since complaints are registered in a different platform, resorting to specific software, there is the need to cross customer’s information previously developed with the complaints database. Based on it, COL should compile the appropriate statistics so that the company can understand which segments present the highest complaint ratios (both in absolute and relative terms), as well as the typical complaints by segment, in order to take the proper actions to correct and address them effectively. Complaints properly and quickly solved bring high customer satisfaction levels.

4.4.7. Analysis of the Dropout Triggers

Another relevant statistics that the company should develop is the one related with dropout triggers. COL should categorize the relevant reasons why customers leave by evaluating recent dropouts. After doing so, the company should take the appropriate measures to correct all the relevant processes, if applicable, and may also develop specific offers to try to retain them.

4.2. Limitations

“Can you imagine what I would do if I could do all I can”

Sun Tzu

1. The information technologies available, both to collect and treat data in order to get some relevant information, were very limited and not aligned with a project like this.
2. It was impossible to use the data collected from the Loyalty card system used on *Continente*. I did not have access to the distribution of the Online Clients with Loyalty card throughout the segments used by *Continente*, nor even I could compare the amounts clients spend with the online versus what they spend in physical shops or if their behaviours changed regarding the channel used.
3. Regarding Business Clients segmentation, some clients were not possible to segment once in INE's website they were classified as companies without activity or because the company's NIFs were wrong in the data base, and therefore it was impossible to search for company's CAE.
4. Calculate the LTV was not a possible task regarding their value to the company having in consideration the internship duration that was too short to allow the development of such metrics.
5. It was impossible to perform, in due time, the costs vs. possible profits analysis of this project. Thus, one of the limitations felted was the absence of an economic evaluation of the project, which could consist in an important aspect to encourage the managers to bet in the proposed solutions.
6. Last but not the least, I would like to refer a personal limitation, namely the difficulty experienced in defining the projects' scope, more specifically the points that were possible to analyse and provide proper solutions in my internship's time. In my first plan I expected to reach the last point of the chosen framework – the customization, meaning that this work was firstly thought to be more turned to the operational part and less for the conceptual one. Regarding the necessity of defining all the metrics to transform the basic data collected in useful information, and specially the time that that work took mainly because of the first limitation appointed, this work eventually changed its course and was adapted to the reality that I faced during the elaboration of this project.

4.3. Conclusions

“I’m a great believer that any tool that enhances communication has profound effects in terms of how people can learn from each other, and how they can achieve the kind of freedoms that they’re interested in.”

Bill Gates

“The most important thing in communication is hearing what isn't said.”

Peter Drucker

“Know your enemy and know yourself and you can fight a hundred battles without disaster.”

Sun Tzu

After exposing some possible next steps identified with the development of this work that could elevate this project to a second level and sharing with the reader several limitations that I have faced during this academic I reserve this point to express some personal conclusions and opinions.

First of all I did not expect that such a relevant company as Sonae, even a smaller part of it like Continente Online, had not already invested in exploring an opportunity like the one that was the starting point of my work in order to provide another level of customer experience like the one that could arise from the implementation of a 1:1 Marketing Program.

Secondly I think that the main goal of this project was achieved. Through the methodology and the tools created, the knowledge about the client increased substantially with all the benefits that such a reality brings.

Third, I want to highlight the fact that I truly believe in the relevance of the present project and in the future benefits that could arise from it to the company if they decide to apply it and give some continuity to the program. This opinion is based especially in the data analysis performed, presented during this work, and the literature review done about the benefits of a proper customization – the next big challenge.

Finally I would like to say that I really enjoyed doing this work from the scratch, see all the opportunities that its implementation could bring and the help that my hard work could provide to the elaboration of a proper strategic plan.

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Appendixes

Chapter One

1.1.Shift in the Marketing Approach

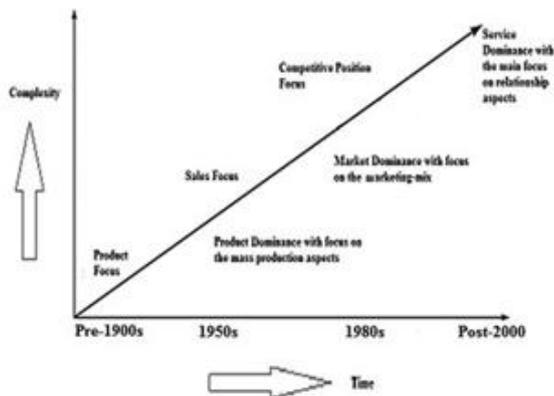


Exhibit 42 - Shift in the Marketing Approach (Ambler, 2004; Christopher et al., 1991)

1.2.Holistic Marketing

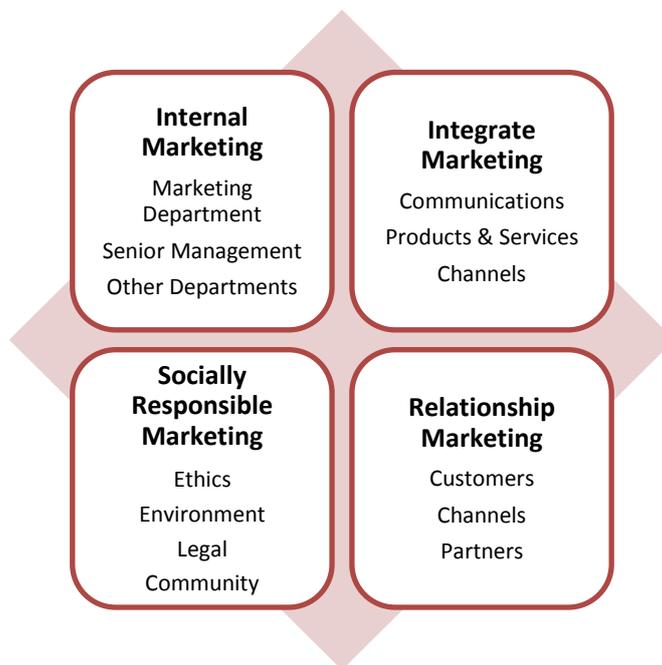


Exhibit 43 - Holistic Marketing (Kotler and Keller, 2006)

1.3. Marketing Mix

Marketing Mix			
<p>Product</p> <p>Product variety Quality Design Features Brand Name Packaging Sizes Services Warranties Returns</p>	<p>Price</p> <p>List price Discounts Allowances Payment Period Credit Terms</p>	<p>Promotion</p> <p>Sales promotion Advertising Sales Force Public Relations Direct Marketing</p>	<p>Place</p> <p>Channels Coverage Assortments Locations Inventory Transport</p>

Exhibit 44 - Marketing Mix (Kotler and Keller, 2006)

1.4. 4 Basic Components of Marketing Information System

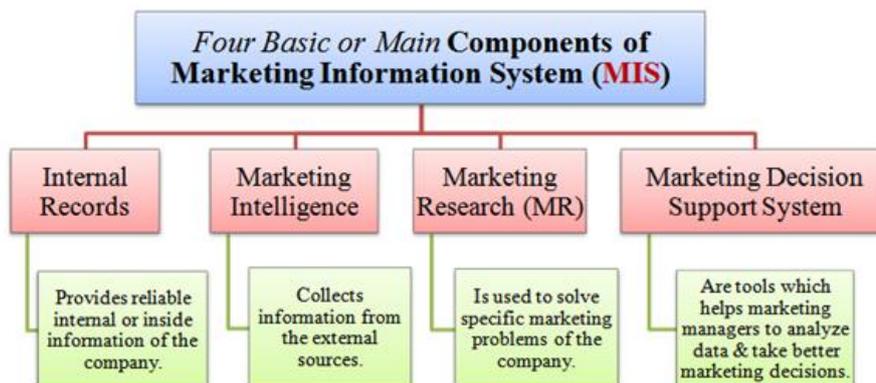


Exhibit 45 - Main Components of MIS (Kalyan-City.Blogspot.com)

1.5. Portuguese Statistics

Average family number Portugal (2011)	2,58
Average number of children per woman (2011)	1,35
Number of women as percentage of total university students	53%
Population with less than 15 years (2011)	14,9%
Population with less than 15 years (1960)	29,2%
Number of PhDs in 2010	1666

Exhibit 46 – Portuguese Demographic Statistics, INE

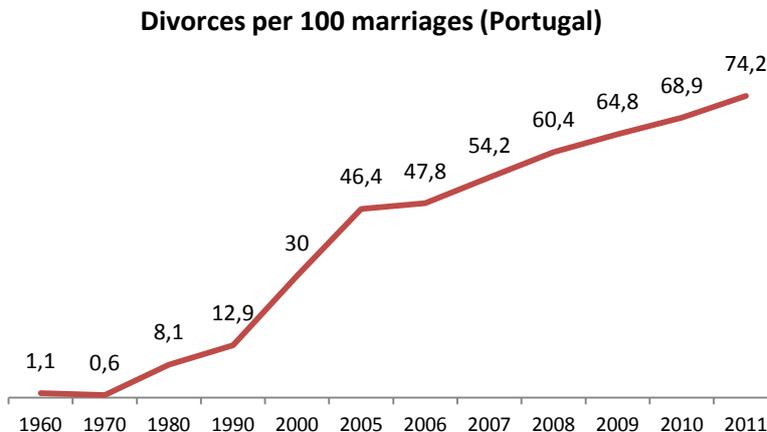


Exhibit 47 –Divorces in Portugal (%), INE

1.6. Customer Value Delivery

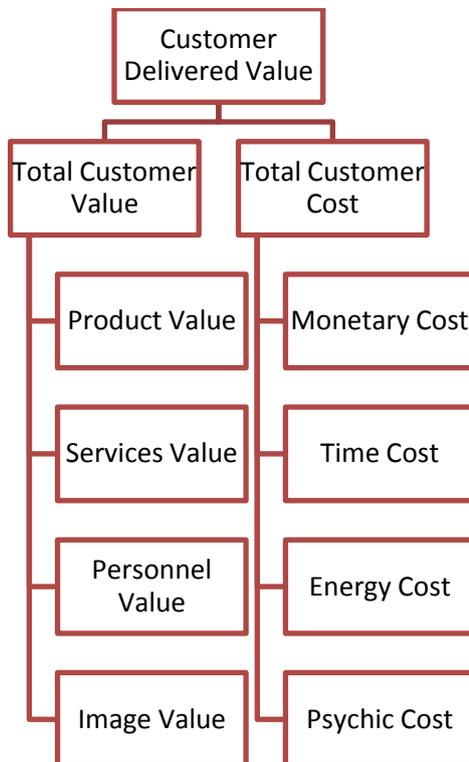


Exhibit 48 - Customer Value Delivery (Kotler and Keller, 2006)

Chapter Two

2.1. Sonae's Global Presence

Where we are in the world



* June 2011 (including operations, service to others, representative offices, partnerships and franchising agreements)

Exhibit 49 – Sonae's Global Presence, Sonae's website

2.2. COL's services coverage

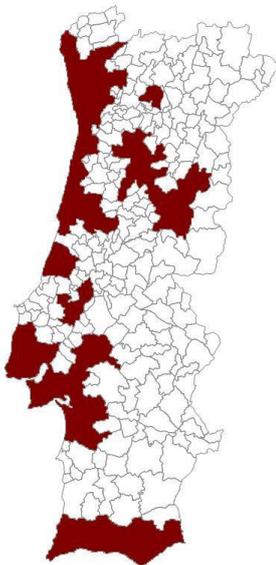


Exhibit 51 - COL's service coverage

2.3. Contine Drive Service



Exhibit 50 - Contine Drive Outdoor (Contine website)

Service where the customer does it shopping online and then just has to go to the physical store and a team will deliver him all goods acquired in the parking.

2.4. Sonae's Segments – Continente Physical Store

ASPIRACIONAIS ACTIVOS <i>Aspirational Actives</i>	FÃS E SAUDÁVEIS <i>Healthy Wealthy</i>	FAMÍLIAS RACIONAIS <i>Practical Parenting</i>
<p>Quem são?</p> <ul style="list-style-type: none"> Jovens cosmopolitas, abaixo dos 34 anos e com agregados pequenos Preocupados com cuidados pessoais <p>Rendimento disponível</p> <ul style="list-style-type: none"> Apreçam a diversidade de escolha, mas preferem Marcas de Fornecedor <p>Repartem compras entre insignias</p> <ul style="list-style-type: none"> Valorizam as acções do Cartão Cliente <p>Boa adesão a promoções quando adequadas às suas preferências</p> <p>Categorias e Produtos:</p> <ul style="list-style-type: none"> Perfumaria e Cosmética Higiene Oral Higiene Corporal Produtos para Cabelo 	<p>Quem são?</p> <ul style="list-style-type: none"> Majoritariamente mulheres, com mais de 45 anos, e pequenos agregados Cosmopolitas, com formação superior e com maiores rendimentos <p>Preocupadas com uma alimentação saudável</p> <p>Valorizam o serviço, a qualidade e o ambiente de loja</p> <ul style="list-style-type: none"> Repartem as suas compras entre hipermercados e supermercados Menor sensibilidade a promoções <p>Cartão Cliente reconhecido como recompensa</p> <p>Preferência por Marcas de Fornecedor, mas revelando crescente abertura relativamente a Marcas Próprias</p> <p>Categorias e Produtos:</p> <ul style="list-style-type: none"> Frutas e Legumes já preparados e embalados Especialidades Charcutaria Peixe e Marisco Congelados Produtos Gourmet (Mercearia, Charcutaria) Produtos Dietéticos 	<p>Quem são?</p> <ul style="list-style-type: none"> Majoritariamente mulheres, entre os 35 e os 55 anos, sobretudo com agregados alargados Valorizam as boas oportunidades de compra e as promoções <p>Procuram refeições completas e diversificadas</p> <ul style="list-style-type: none"> Preocupadas com a qualidade ao preço certo <p>Valorizam bastante o Cartão Cliente, responsável pela fidelização</p> <ul style="list-style-type: none"> Valorizam as Marcas de Fornecedor, optando por Marcas Próprias em certas categorias <p>Repartem compras entre insignias, e optam pelo comércio tradicional para frescos</p> <p>Categorias e Produtos:</p> <ul style="list-style-type: none"> Bens de Primeira Necessidade Queijo Atendimento Bacalhau Charcutaria Atendimento Bebidas Quentes 

<p>FAMÍLIAS ECONÓMICAS Budget Families</p>	<p>SÉNIORES TRADICIONAIS Traditional Seniors</p>	<p>FAMÍLIAS JOVENS COM FILHOS Kids & Baby</p>	<p>CONVENIÊNCIA SEM FILHOS Kid Free Convenience</p>
<p>Quem são?</p> <ul style="list-style-type: none"> Mulheres, entre os 25 e os 55 anos, mães de família com 4 ou mais elementos Apreciam a variedade de escolha do formato Hiper Procuram refeições práticas e económicas Organizam as suas compras de acordo com os folhetos e promoções Recorrem aos Discounts para complementar as suas compras Valorizam os programas de fidelização, mas preferem descontos imediatos Consomem Marcas Próprias e de Primeiro Preço Gestão do orçamento familiar <p>Categorias e Produtos:</p> <ul style="list-style-type: none"> Cozinha Fácil Carne de Porco Take-Away Carne de Bovino Aves 	<p>Quem são?</p> <ul style="list-style-type: none"> Casais com mais de 55 anos Disponibilidade de tempo Frequentam lojas em horários e dias mais tranquilos Frequentam lojas próximas, de dimensões médias, com bom serviço Alimentação equilibrada, tradicional e regional Consomem Marcas Próprias, e Primeiro Preço O Cartão Cliente reforça a fidelização à insígnia Valorizam os descontos e as promoções de frescos <p>Categorias e Produtos:</p> <ul style="list-style-type: none"> Bacalhau Pescado Fresco Congelados Peixaria Legumes Frutas 	<p>Quem são?</p> <ul style="list-style-type: none"> Jovens casais com filhos Maioritariamente mulheres, entre os 25 e os 44 anos Procuram marcas e frescos de qualidade para os filhos Permeáveis a produtos Marca Própria para os adultos Dão grande importância ao Cartão Cliente para categorias Bebê As promoções contribuem para a sua fidelidade <p>Categorias e Produtos:</p> <ul style="list-style-type: none"> Alimentação Infantil Higiene e Protecção Bebê Puericultura Brinquedos Iogurtes Infantis 	<p>Quem são?</p> <ul style="list-style-type: none"> Maioritariamente homens adultos, acima dos 55 anos, sem filhos Jovens casais em formação Compras de conveniência e complementares Afinidade às Marcas de Fornecedor mas com atitude favorável ao consumo Marcas Próprias Reduzida utilização do Cartão Cliente Sensibilidade variável a promoções Pouca lealdade às insígnias <p>Categorias e Produtos:</p> <ul style="list-style-type: none"> Bebidas Espirituosas Cervejas Vinhos Região Sul Vinhos Região Norte Pet Care 

Exhibit 52- Continente Segments, Sonae

2.5. European Retail Market Evolution

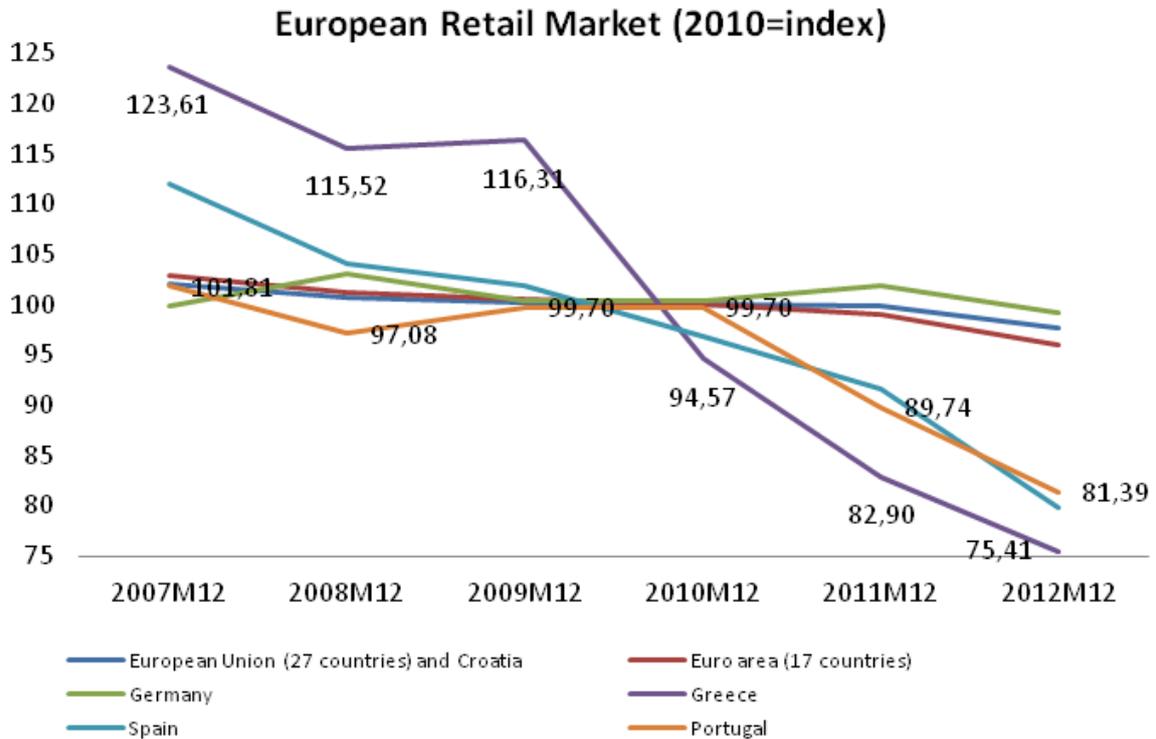


Exhibit 53 – European Retail Market Evolution, Eurostat

2.6. Online Purchases evolution

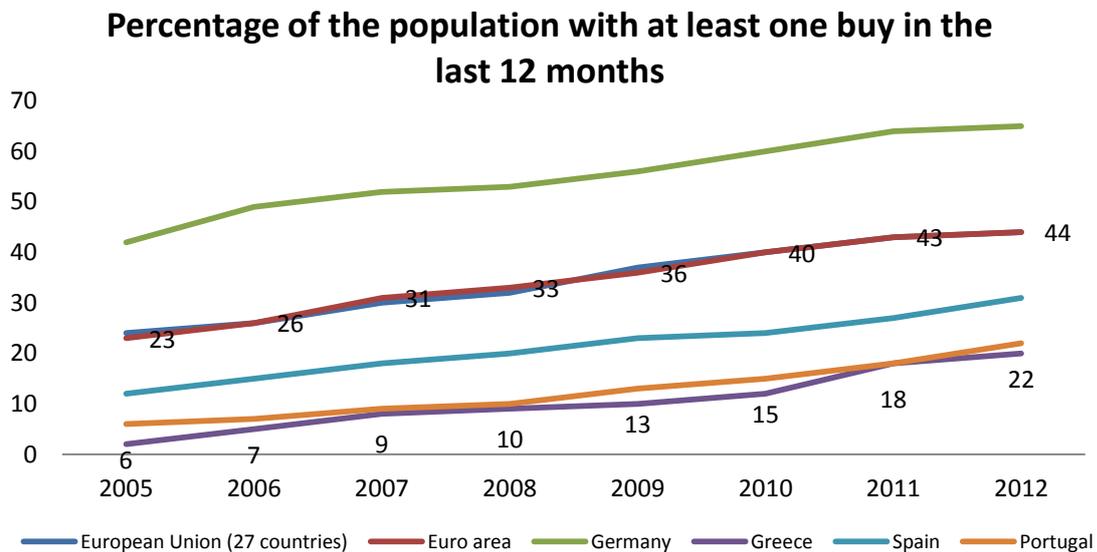


Exhibit 54 – Online Purchases evolution, Eurostat

2.7. Online Purchases by Country

At least one purchase in the last 12 months (% of individuals) -2012

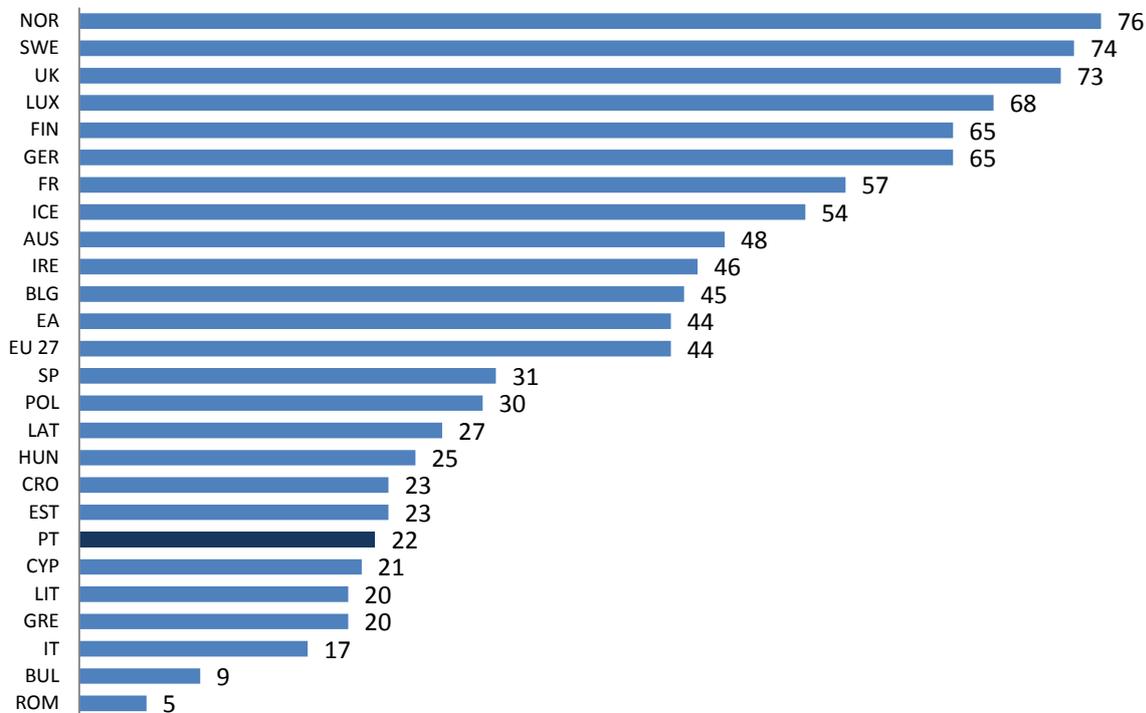


Exhibit 55 – Online Purchases by Country, Eurostat

2.8. Average value per online purchase

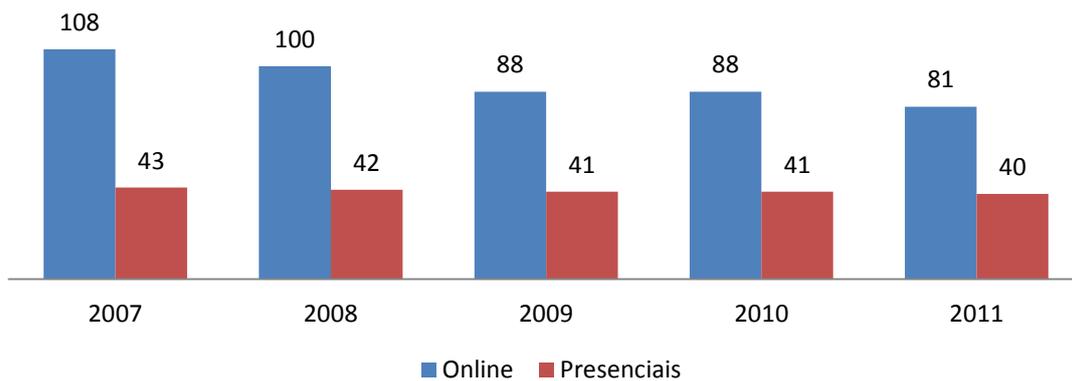


Exhibit 56 - Average value per online purchase, SIBS

Chapter Three

3.1. Continente Online Current Registration Process

The screenshot shows the registration process on the Continente Online website. The browser address bar displays <https://www.continente.pt/UserRegistrationsFirstStep.aspx>. The page features a navigation menu with categories like 'Receitas', 'Promoções', 'Pesquisa de Produtos', and various product types such as 'Mercearia', 'Bebidas', 'Frescos', etc. A progress indicator shows four steps: 1. Entrega (selected), 2. Dados Pessoais, 3. Confirmação, and 4. Final. The main content area asks the user to indicate if they are a 'Cliente Particular' or 'Cliente Empresarial'. Below this, there is a field for the 'Código Postal completo da morada onde pretende receber as suas compras.' with a 'Verificar código postal' button. A sidebar on the right shows a shopping cart with 'Nenhum Produto' and a total of '€ 0,00'. The footer includes a copyright notice for 2011 and a VeriSign logo.

This screenshot shows the second step of the registration process, 'Dados Pessoais'. The progress indicator now highlights step 2. The main content area provides instructions: 'Caro utilizador o Código Postal indicado está abrangido pela zona de entregas do Continente Online. Poderá assim continuar o seu registo, necessitando agora de introduzir alguns dados pessoais.' It lists mandatory fields with asterisks: 'Nome e Contacto' (Name and Contact), 'Login', and 'Identificação'. The 'Nome e Contacto' section includes fields for Name, Surname, Sex (Male/Female), E-mail, Telephone, and Other Contact. The 'Login' section includes a field for the identification number. A sidebar on the right remains the same, showing an empty cart with '€ 0,00'. The footer is consistent with the previous screenshot.

← → ↻ <https://www.continente.pt/UserRegistrationsFirstStep.aspx> ☆ 🔑

Report Cliente Promoção

Login

2 Para facilitar a sua utilização do Continente Online em futuras visitas, deverá indicar uma identificação e password à sua escolha.

* Identificação

* Password Nível de Segurança Password
FRACO MÉDIO FORTE

* Confirmar Password

Sugestões

Por questões de segurança e para sua protecção, recomendamos que a sua Password deve ser escolhida tendo em conta os seguintes critérios:

- Possuir no mínimo 6 e no máximo 20 caracteres
- Incluir letras, números e caracteres especiais (ex: #, ?, \$)
- Diferente da anterior

Morada Principal

3 Através da sua morada será automaticamente associado ao hipermercado Continente mais próximo de si. Esta informação será utilizada na entrega das suas compras.

* Morada

* Código Postal 2670 - 388

* Localidade

Indicações

* N° Contribuinte

← → ↻ <https://www.continente.pt/UserRegistrationsFirstStep.aspx> ☆ 🔑

Report Cliente Promoção

Morada Alternativa

4 Caso prefira que as suas compras ou que a sua factura sejam entregues noutra morada, preencha estes campos:

Nome

Morada

Código Postal -

Localidade

N° Contribuinte

Morada de Entrega e Morada de Facturação

5 Seleccione a morada de entrega e a morada de facturação.

Morada de Entrega

Morada de Facturação

Cartão Continente

6 Preencha por favor os campos abaixo indicados para usufruir de todas as vantagens online do Cartão Continente:

* Já possui Cartão Continente?

Sim, e desejo associar ao meu utilizador do Continente Online

Não, e desejo aderir ao Cartão Continente

Não quero aderir nem associar a minha conta ao Cartão Continente

6 Cartão Continente
Preencha por favor os campos abaixo indicados para usufruir de todas as vantagens online do Cartão Continente:

★ Já possui Cartão Continente?

Sim, e desejo associar ao meu utilizador do Continente Online
 Não, e desejo aderir ao Cartão Continente
 Não quero aderir nem associar a minha conta ao Cartão Continente

Preencha os campos abaixo para associar o seu cartão continente ao seu utilizador no Continente Online. Desta forma pode usufruir de todas as vantagens do maior Cartão de Desconto do País.

★ Número do Cartão Continente

★ Tipo de Documento

★ Número do Documento

7 As suas preferências
Adapte o nosso serviço ao seu gosto.

Se um dos produtos não estiver disponível prefiro...

Seleccione esta opção para receber os produtos com etiqueta em Braille.

Prefiro...

8 Outras Informações
Conhecê-lo melhor a si e à sua família ajuda-nos a servi-los melhor.

Exhibit 57 - Continente Online Current Registration Process - for both business and private clients (Company Website)

Only to Private Customers:

8 Outras Informações
Conhecê-lo melhor a si e à sua família ajuda-nos a servi-los melhor.

Data de Nascimento / /

Habilitações Literárias

Profissão

Agregado Familiar Elementos

Número de Filhos

Os dados pessoais por si facultados serão objecto de tratamento para efeitos de marketing, pelas empresas participadas pela Sonae Investimentos, SGPS, S.A.. A base de dados está devidamente autorizada pela CNPD - Processo nº 34/2001. A entidade responsável Sonae Investimentos, SGPS, S.A., tem sede na Rua João Mendonça, 529, freguesia Senhora da Hora, concelho de Matosinhos, pessoa colectiva nº 501 532 927, e com o capital social de € 1.000.000.000.

Sim, aceito facultar
 Não aceito facultar

9 Questionário
A sua resposta a estas questões podem ajudar-nos a melhorar o nosso serviço.

É cliente habitual das lojas Continente? Sim Não

Já fez compras na internet? Sim Não

Que tipo de ligação à internet utiliza?

A empresa | Receitas | Clube de Vinhos | Emprego | Ajuda | Contactos | Política de Serviços

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Exhibit 58 - Continente Online Current Registration Process - Private clients only (Company Website)

Only to Business Clients:

Exhibit 59 - Continente Online Current Registration Process - Business clients only (Company Website)

3.2. Registration Process – Benchmark Analysis

Tesco

Loyalty Card
Mandatory

Tesco.com - Register

[My Account](#) | [Login / Register](#) | [Help](#) | [Basket](#) | [Checkout](#)

This page is secure and all your personal details are encrypted to keep them private. [Why it's safe to shop at Tesco.com.](#)

Registration

Just fill in your details and click the 'yes' button to register with Tesco.com. It's that easy!

1. Name

Title: *

First name: *

Initials:

Last name: *

2. Contact details

Please choose your address from the drop-down list below and enter two different telephone numbers (preferably one mobile) in case we need to contact you, for example if our delivery driver can't find your house.

Please note that our grocery home delivery service is available for domestic household use only - we are unfortunately unable to handle bulk orders by commercial users or institutions ([see our Terms & Conditions](#))

<p>Choose an address: * <input type="button" value="Click the arrow to select your home ->"/></p> <p>Town/City: London</p> <p>Postcode: SW1X9PY</p> <p>Please enter a nickname for this address, e.g. 'home': * <input type="text"/></p>	<p>Daytime tel no: * <input type="text"/></p> <p>Evening tel no: * <input type="text"/></p> <p>Mobile tel no: <input type="text"/></p> <p>Email address: jfs@hotmail.com</p>
---	--

3. Password

You can be 100% confident shopping with Tesco.com. To ensure your security online we will ask you for your password when you access your personal details or go to pay. This information will always be encrypted so that it is not possible for anyone else to access it.

<p>Enter your password: * <input type="text"/></p> <p>Confirm your password: * <input type="text"/></p>	<p>Your password:</p> <ul style="list-style-type: none"> should be between six and ten characters in length can contain a mixture of letters and numbers treats upper-case and lower-case letters the same
---	--

4. More about you

Viewing options

Tesco.com is committed to making our grocery site accessible to all, we recognise that some customers require a site optimised for their use to be able to shop for groceries without impediment. Just as we tailor our site for optimal use on different browsers, we have provided a series of viewing profiles which will customise the site to your needs, featuring additional content and remove cosmetic features such as Javascript. We have 5 profiles for you to choose from:-

- ▶ Standard – The site with full functionality
- ▶ Low visibility – JavaScript has been disabled with simple styling
- ▶ Screen reader – JavaScript has been disabled
- ▶ Keyboard – Hover-over boxes (except for the navigation) and information boxes have been disabled to ensure you have access to all content.
- ▶ Colour blind – Same as standard but with all links underlined. We have also allowed the site to accept your own styling to the site if required

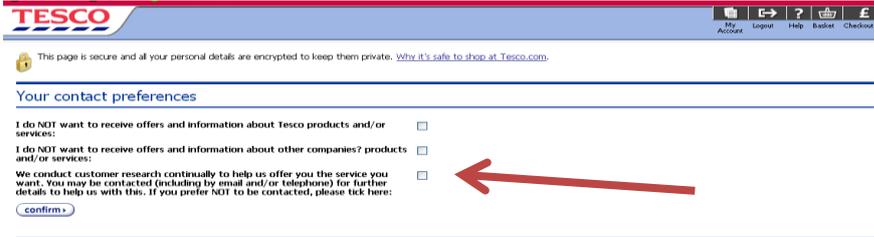
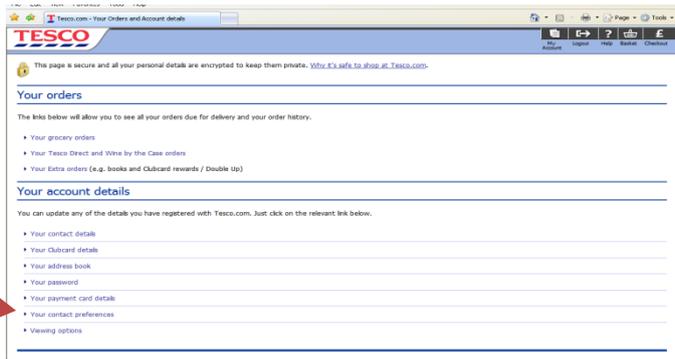
User Accessibility Option:

You can change your selection at any time under 'My Account'.

It would help us to improve our products and services if you could take a moment to complete this section.

How did you hear about us?:

My
account



5. The small print

Data protection

Tesco.com and Clubcard ("we") are committed to protecting your privacy. We will only use your information in accordance with the Tesco.com [privacy policy](#) and the Clubcard Customer [Terms and Conditions](#).

From time to time we may contact you by email, post or phone with details of special offers and promotions about products and services of interest to you and your family, or to help us improve our service through customer research. You can opt out of receiving Tesco.com information by clicking the 'your account' link and selecting 'your contact preferences' when you are logged in to choose your preferences. You can opt out of receiving Clubcard information by calling Customer Services FREE on **0800 591 688**.*

*Free from BT landlines. Other providers may charge. Calls may be recorded.

Terms and Conditions of Use

To protect all our customers use of the Tesco.com sites and services are governed by the [Terms and Conditions of Use](#).

I have read and agree to be bound by the terms and conditions above.



Exhibit 60 - Tesco Registration Process (Company Website)

Ocado

The top section of the Ocado registration form includes the Ocado logo and a navigation menu with links for Home, Favourites, Shop, Offers, Wine Cellar, Christmas, and Halloween. A 'Send me sms' checkbox is checked. Below this is a section for signing up for special offers, with a checked box for 'Receive special offers' and an unchecked box for 'Receive partner offers'. A red arrow points to the 'None' dropdown menu in the 'Which grocer did you spend the most money with over the past three months?' question.

Your contact details

Title:

First name:

Last name:

E-mail address:

Confirm e-mail:

Main phone no.:

Mobile phone no.:

Send me sms:

Sign up to our free delivery reminder service and we'll send you a text message when your groceries are on their way and if there are any substitutions. – Don't worry – We won't text between 10pm and 8am, and we'll never send marketing information to your mobile.

Sign up for special offers

Everyone loves to get exclusive money-off vouchers and offers. Simply tick the boxes below, and you'll never miss out on a great deal at Ocado.

Receive special offers: Receive Ocado special offers and important information about our service.

Receive partner offers: Receive special offers and information from our carefully selected partners.

The bottom section of the Ocado registration form includes a 'Receive partner offers' checkbox which is unchecked. It contains two dropdown menus: 'Which grocer did you spend the most money with over the past three months?' and 'Where did you hear about us?', both set to 'None'. Below these is the 'Your account' section, which includes an 'Account type' dropdown set to 'Personal', a password field, a 'Re-enter password' field, and a 'Password reminder' field. A 'Register >' button is at the bottom right.

Receive partner offers: Receive special offers and information from our carefully selected partners.

Which grocer did you spend the most money with over the past three months?

Where did you hear about us?

Your account

Account type: Will your account be for personal or business use?

Password:

Re-enter password:

Password reminder:

By clicking this button I accept Ocado's terms and conditions

Delivery details
In your trolley / 0 items

Exit Personal Shopper

Total £0.00

delivery savings
- -

[Continue](#)

[About you](#) | [Dietary info](#) > [What you usually buy](#) > [Add to your trolley](#) > [Anything else?](#) > [Book a delivery](#) > [Vouchers](#) > [Payment](#) > [Summary](#)

Welcome to our Personal Shopper- lets get started. Simply use the characters below to tell us who you buy groceries for.

<input type="checkbox"/> Adult female	<input type="checkbox"/> Adult male	<input type="checkbox"/> Female child	<input type="checkbox"/> Male child	<input type="checkbox"/> Baby	<input type="checkbox"/> Pets

[Continue](#)

Delivery details
In your trolley / 0 items

Exit Personal Shopper

Total £0.00

delivery savings
- -

[Continue](#)

[About you](#) | [Dietary info](#) > [What you usually buy](#) > [Add to your trolley](#) > [Anything else?](#) > [Book a delivery](#) > [Vouchers](#) > [Payment](#) > [Summary](#)

Finished? Use the 'Continue' button to move on to the next step.

<input checked="" type="checkbox"/> Adult female	<input checked="" type="checkbox"/> Adult male	<input checked="" type="checkbox"/> Female child	<input type="checkbox"/> Male child	<input checked="" type="checkbox"/> Baby	<input checked="" type="checkbox"/> Pets
How many? <input type="text" value="1"/>	How many? <input type="text" value="1"/>	How many? <input type="text" value="1"/>		How many? <input type="text" value="1"/>	What kind of pet? Cat Dog <input checked="" type="checkbox"/>
<input checked="" type="radio"/> Primary shopper	<input type="radio"/> Primary shopper	How old are they? 3 - 4 years old		How old are they? 0 - 2 Months	+ add another

[Continue](#)

Starting a One to One Marketing Program

Delivery details
In your trolley / 0 items

Exit Personal Shopper

Total £0.00

delivery savings

— —

Continue

✓ About you
Dietary info
What you usually buy > Add to your trolley > Anything else? > Book a delivery > Vouchers > Payment > Summary

Use the sliders below to tell us how much of each group you usually buy.

Organic

None Lots

Meat and poultry

None Lots

Fish

None Lots

Now tick the boxes to tell us which milk you buy. Don't worry, you can select more than one.

Full fat milk

Semi-skimmed milk

Skimmed milk

Milk alternatives

Continue

Delivery details
In your trolley / 0 items

Exit Personal Shopper

Total £0.00

delivery savings

— —

Continue

✓ About you
✓ Dietary info
What you usually buy
Add to your trolley > Anything else? > Book a delivery > Vouchers > Payment > Summary

Select the products you'd be most likely to put in your trolley when you're shopping.

<input type="checkbox"/> Bagged salad	<input type="checkbox"/> Baked beans	<input checked="" type="checkbox"/> Bottled water	<input type="checkbox"/> Fresh broccoli	<input checked="" type="checkbox"/> Butter	<input checked="" type="checkbox"/> Carbonated drinks
<input type="checkbox"/> Cooking sauces	<input checked="" type="checkbox"/> Pork	<input checked="" type="checkbox"/> Red meat	<input checked="" type="checkbox"/> Ham	<input type="checkbox"/> Ice cream	<input type="checkbox"/> Fresh mushrooms
<input checked="" type="checkbox"/> Off Licence	<input type="checkbox"/> Prepared meals	<input checked="" type="checkbox"/> Shellfish	<input type="checkbox"/> Sliced bread	<input type="checkbox"/> Dilutes and squash	<input checked="" type="checkbox"/> Yogurt

Continue

Delivery details
In your trolley / 0 items

Exit Personal Shopper

Total £0.00

delivery savings

Continue

✓ About you
✓ Dietary info
✓ What you usually buy
Add to your trolley
Anything else? >
Book a delivery >
Vouchers >
Payment >
Summary

Fruit, Vegetables & Salads (80)

Below are the 8 groups we recommend for Fruit, Vegetables & Salads. Start adding to your trolley.

Fruit > Apples & Pears

Show me 5 more recommendations for this group

Your recommended products are ready!

We've searched our full range of products to find the ones we think you'll like best. Simply press the button below to take a look at your Personal Shopper suggestions and you can start adding them to your trolley.

Then, if there's anything you'd like to add, you can search for more products on the next page.

Take a look at your products

Fruit > Berries

Show me 5 more recommendations for this group

Apples Braeburn essential Waitrose 6 per pack

£1.99

Price each: 33p

Qty: 1 + - Add

English Bramley Apple essential Waitrose 4 per pack

£1.57

Price each: 39p

Qty: 1 + - Add

Speciality Raspberries Waitrose 150g

Life 3'

Strawberries essential Waitrose 400g

Life 3'

Blueberries essential Waitrose 180g

Life 4+'

Ocado Strawberries 400g

Life 3'

Raspberries essential Waitrose 170g

Life 3'

Delivery details
In your trolley / 0 items

Exit Personal Shopper

Total £0.00

delivery savings

Continue

✓ About you
✓ Dietary info
✓ What you usually buy
Add to your trolley
Anything else? >
Book a delivery >
Vouchers >
Payment >
Summary

Tins & Cans > Vegetables

Show me 5 more recommendations for this group

Cannellini Beans essential Waitrose 410g

58p

Price per 100g: 14p

Qty: 1 + - Add

Red Kidney Beans in Chilli Sauce essential Waitros... 395g

79p

Price per 100g: 20p

Qty: 1 + - Add

Red Kidney Beans in Water essential Waitrose 400g

44p

Price per 100g: 11p

Qty: 1 + - Add

Green Giant Sweetcorn Niblets Original 3 x 198g

£1.75

Price per 100g: 29p

Qty: 1 + - Add

Chick Peas essential Waitrose 400g

60p

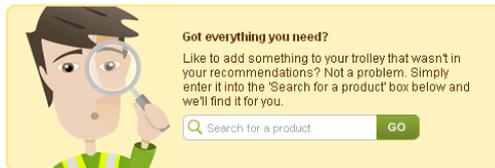
Price per 100g: 15p

Qty: 1 + - Add

Rice, Pasta, Noodles & Pulses

Show me 5 more recommendations for this group

Starting a One to One Marketing Program



Book a delivery

Your trolley is currently 61p and contains 1 item.

[View the text-only booking page](#)

1. Your delivery address

The Carl... SW1X 9PY
[Manage addresses](#)

2. Select a day

November / December

M	T	W	T	F	S	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	1	2	3	4

[Go to December](#)

Did you know that we now deliver until 11.30pm on Sundays?

Now it's time to think about a delivery slot

We're asking you to choose your preferred delivery time before you add groceries to your trolley. That way you'll always see available products as you shop.

Don't worry if you change your mind, you're not committing to anything right now. You can always come back and move or cancel your slot later.

[Take a look now](#)

Exhibit 61 – Ocado’s Registration Process (Company Website)

3.3. Methodology to Characterize Customer's Current Status

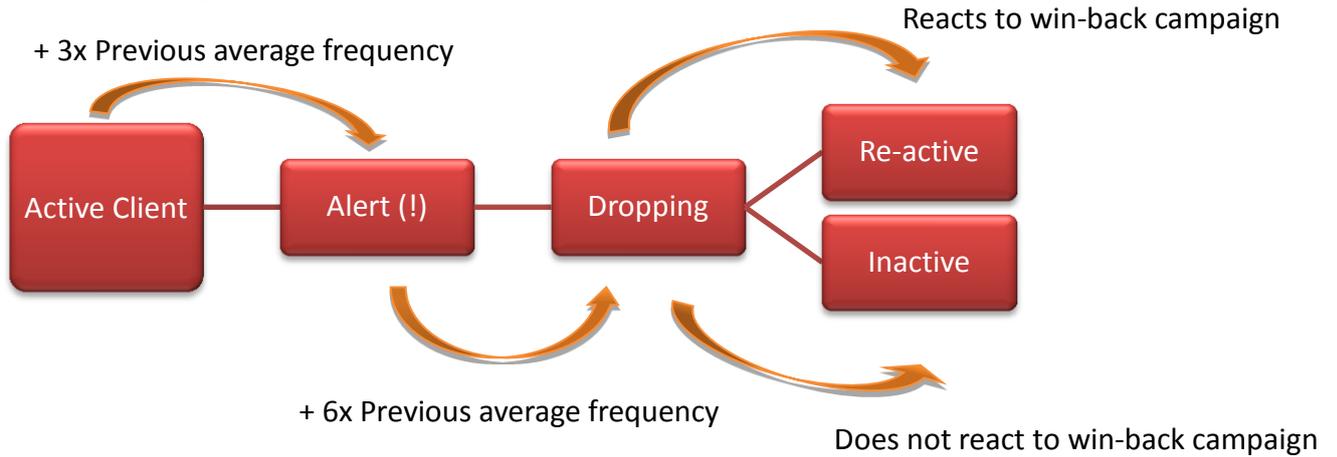


Exhibit 62 – Continente Online Client's lifecycle

3.4. Inactive Client's Classification

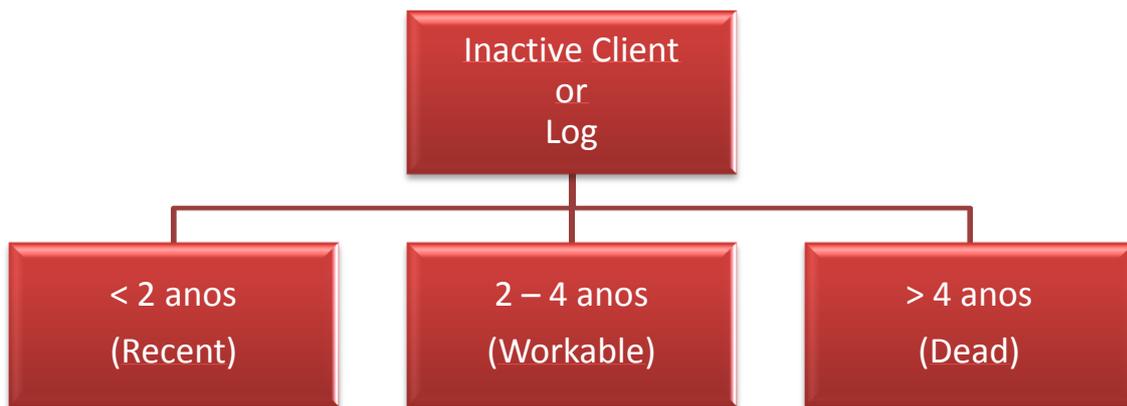


Exhibit 63 - Logs or Inactive Client's Classification

3.5. Top 3 Business Clients by Segment

Social Support	Education	Hospitality and Catering
<ul style="list-style-type: none"> Lar Quinta São Sebastião, Lda. (25.500€) Jardim dos Avós (23.000€) L31 (22.600€) 	<ul style="list-style-type: none"> Encantos D'Aldeia, Lda. (14.750€) Externato a Palmeirinha, Lda. (14.000€) República da Pequenada (11.000€) 	<ul style="list-style-type: none"> Casas da Sra. da Estrela (27.200€) Working four, Hospedarias Lda. (25.800€) Animação e descanso, Lda. (19.000€)

Exhibit 64 - Top 3 business clients by segment - 2011 annual sales

The top clients of the Healthcare sector are not identified once there are none that stands out within the segment.

3.6. Business Clients – Segments Analysis

Social Support

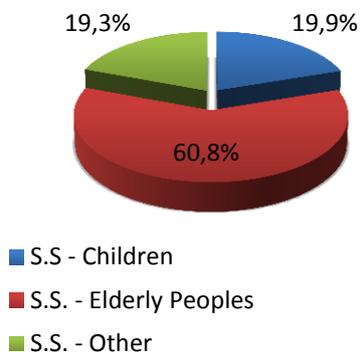


Exhibit 65 –Social Support Segment Annual Sales, 2011

Hospitality and Catering

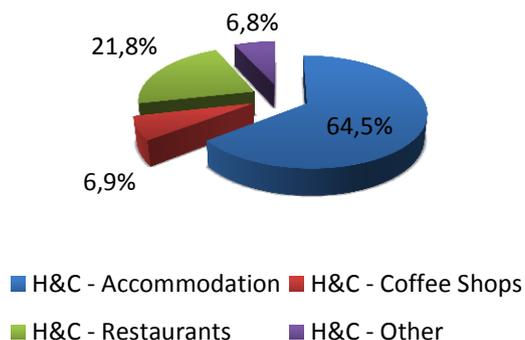


Exhibit 66 – Hospitality and Catering Segment Annual Sales, 2011

Education

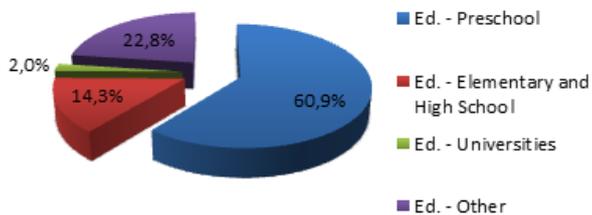


Exhibit 67 – Education Segment Annual Sales, 2011

3.7. Website Structure - Benchmark

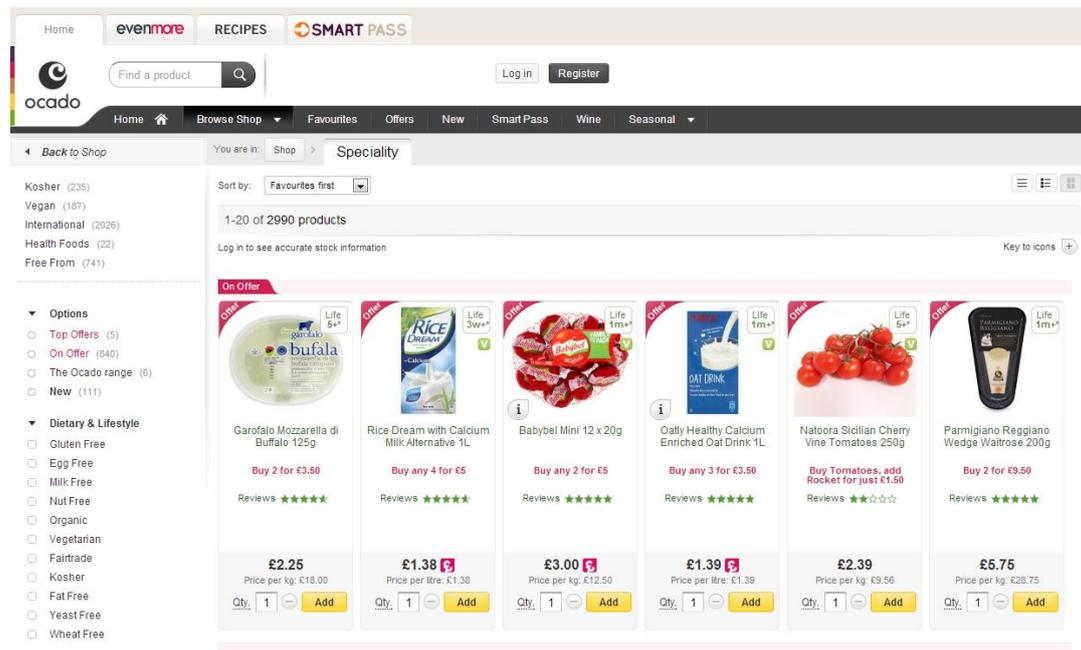
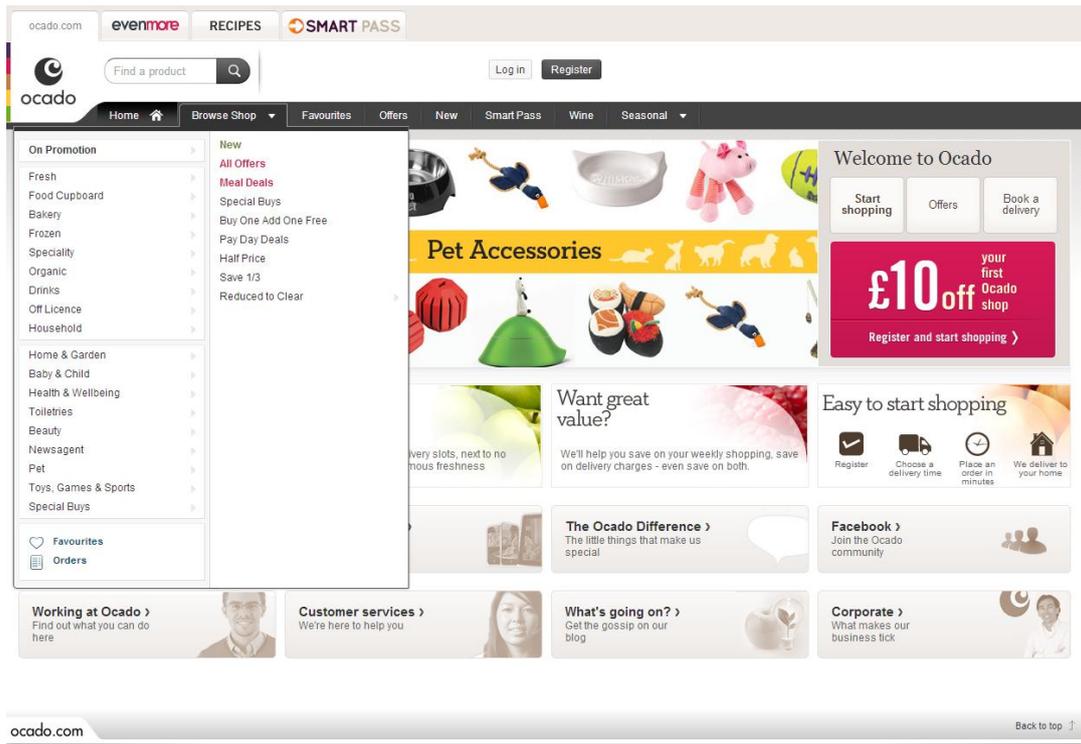


Exhibit 68 - Ocado's Website Structure

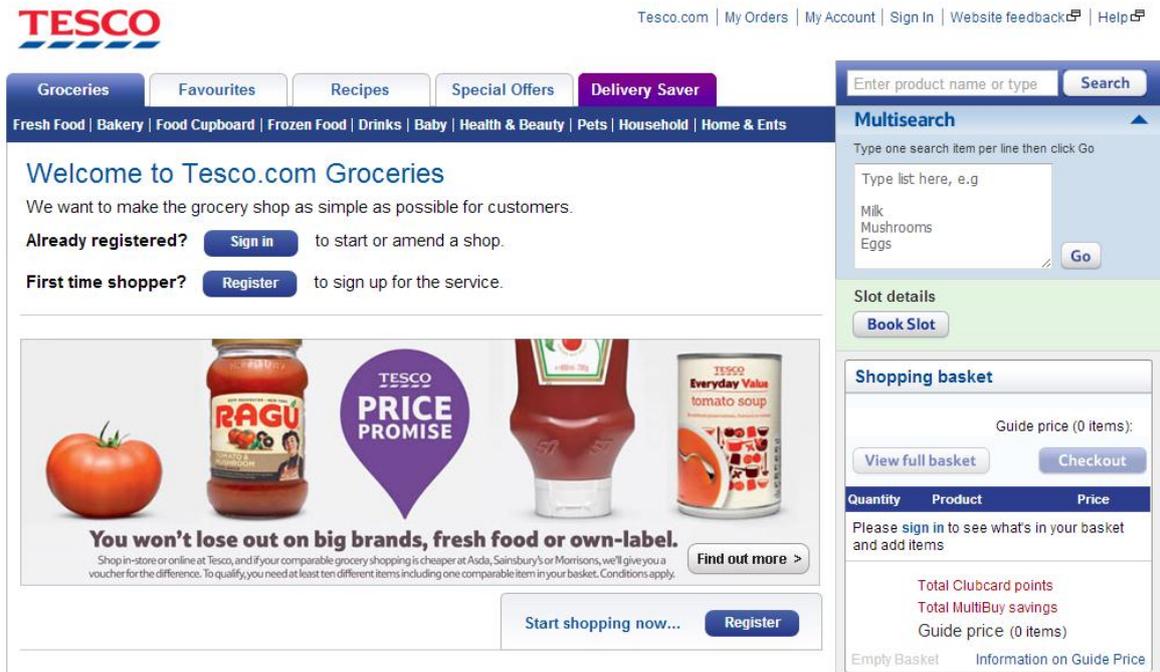


Exhibit 69 - Tesco's Website Structure

3.8. First Contact and Closing Times, Jan – Oct 2011



Exhibit 70 – First Contact’s Average Time, Weekdays

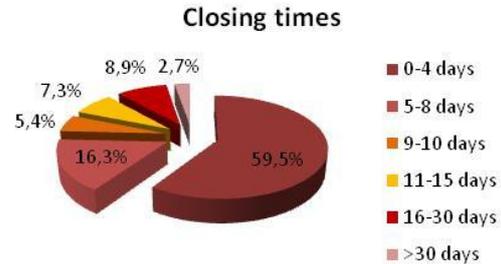


Exhibit 71 - Average Time for Close a Complaint, Weekdays