

LOOKING AT CRM PAST, PRESENT AND FUTURE

A long-standing CRM expert shares his insight

Retail Systems Alert recently spoke with Vahe Katros, an industry veteran with more than 15 years experience in retail IT, about the continuing evolution of CRM in retail. Katros, president of Vahe Katros Consulting, is the former director of retail industry marketing at Blue Martini Software, and has planned and led chain-wide systems projects for retailers including Barnes & Noble and The Men's Wearhouse. In addition, as a consultant, he assisted with business planning for vendors such as SAP and Sun Microsystems, and served as the original technical editor for Retail Systems Alert.



Vahe Katros,
is president of
Vahe Katros Consulting,
Palo Alto, Calif.,
vkatros@mac.com.

Retail Systems Alert: How would you define CRM?

Katros: From the business perspective, CRM is the collective set of practices that attempts to maximize the lifetime value of customers, with a keen eye on the top 20%. From a customer's perspective, CRM is all those things a business does to keep them as a customer. Having a sense of both inward- and outward-looking definitions is one key to successfully performing CRM.

RSA: What can retailers do to make enterprises more customer-responsive?

Katros: I think we can start by building practices and techniques to learn from customers. That, of course, means segmenting them first along needs-based categories and then using professional techniques to understand how well you are serving them.

The professional techniques, such as surveying that draws on cultural and anthropological disciplines, are found today

among some leading-edge product development companies. I believe we will be bringing those skills to retail as we shift to customer-responsive organizations.

So at the risk of being repetitive, we need to develop ways to learn how people shop your store or even shop your enterprise, and we need to get creative. For sure, we are still at the earliest stages of this exciting next wave.

RSA: What do you see as current leading CRM best practices?

Katros: I have to first break this down into front-office CRM—the customer-facing stuff—and back-office CRM, or the analytics and extended supply chain stuff. For the front office, I think that the efforts by some retailers to segment stores according to customer personas, where a shopper experiences a segmented Web site and then has the same kind of segmented store-level experience. That's something we are beginning to see in some pilots. I think the Dell kiosks that are in malls around the United States are neat.

I think that Amazon's back-office work with analytics, shopping controls and A/B tests are great. Then there is all of the multichannel logistics work. And, of course, retailers are really starting to think about moving to a multichannel strategy and addressing issues of how to account for sales and so on.

RSA: How do you see CRM developing in the next five years?

Katros: I believe that most of the innovation will occur around multichannel experiences. I think CRM, or more generally, the idea of managing customers around customer segments, thanks in part to the way shoppers are using the Web as their first point of contact, will change retail from an industry that is managed around products and categories into an industry that is managed around customer segments.

That will get us out of the me-too business and put retailers back on the track that is the reason for our existence, serving customers. Then we will finally drop this ironic acronym.

I'd also say that the next five years will be when we put the infrastructure pieces together. Multichannel shopping will be ubiquitous. We'll know more about how to integrate mobile devices into the store, and I'd say that self-service is going to be big at all phases of the shopping process including marketing, sales and service. **RTQ**