

MANAGING A COMMUNITY

The Independent's Opportunity

Introduction

One of the greatest opportunities an independent retailer of products or services has is the ability to turn their customer base into a vibrant and engaged community. Even separate communities.

That brings with it increased participation leading to greater spend. It also delivers increased loyalty. Even more importantly it delivers the priceless value of connection to the customer and that reduces the pressure on margins.

This short note is an overview of what is academically known as a “Commercially Viable Community” along with practical examples of how an independent retailer can create extra value for the customer, which translates into increased revenue.

The Four Pillars of Value

There are four areas of change in the retail landscape that are especially relevant to the independent retailer:



This retail model differs from that of the mass market because it places the customer at the heart of the business model.

Most mass-market and online retailers, even those with very smart Customer Relationship Management software, must see their business as a 'return on product investment.'

For the independent the key metrics are how many customers you have; what is the average spend per customer; and what is the profitability per customer. It requires the independent to have a different orientation.

An orientation that provides a far better service and solution for the customer. And one that can be leveraged still further with an understanding of how to manage a community.

The four pillars that need to be managed are:

1. Understanding and encouraging each customer's personal 'why.'
2. Connecting with the customer and connecting them to other members of the community to create social bonding.
3. Learning about the opportunities and challenges of both the individual and the community.
4. Presenting the individual customer with a solution that fits their purpose, exact requirements, context, and constraints.

Value is driven through the Personal 'WHY'

Notwithstanding the technology advances and direct mobile and internet connection with their consumers, the mass market solutions search for ways to change behavior. How do we open the wallet? How do we add to the purchase value of the basket? How can we increase either the volume of purchase, or the price that will be paid?

For anyone managing a community, it is about understanding WHY a customer is involved with you. They're trying to buy a product or service because they want to achieve something, complete a task, or overcome an obstacle. In this context the "product" is NOT actually what they're trying to buy.

For a pre-natal woman, it may be that they're in the pharmacy because they're trying to ensure the health and well-being of both them and their unborn child. How large is the value difference between health and well-being and a bottle of vitamins.

Why does the cyclist who already has a new bike go shopping for a new bike? As a new bike it has one value. As the step to a climb accomplished without a dismount for the first time, it is of far greater value.

No golfer buys a new Driver. They're trying to buy extra yards.

The advertising agencies of the mass market understand this. Look at their adverts. But the personal relationship with the staff in their stores is purely transactional.

That should not be the case with the independent. Their relationship with their customers should always be centered around WHY the customer wants to have a relationship. That relationship can then incorporate the incredibly valuable asset of TRUST.

In a world where brands are facing the most accelerated collapse of trust amongst consumers, independence has the advantage.

The value of Social Connections

Loneliness is the disease of the 21st century. How ironic is that when we live in a world that is allegedly "permanently connected"? Connection is a priceless commodity.

Just a trusting relationship the customer has with someone who helps them achieve something important in their life has priceless value. The pharmacist you can talk to who knows your name and your situation. The golf professional who doesn't judge where you are in your golfing journey. The expert in the cycling shop who cares about your ride.

That will create the first level of loyalty. But a far greater level of participation is generated by connections between customers.

A bar where the bar staff know you by name is always attractive when you're looking for a bar. But a bar with friends who enjoy your company is a bar to visit tonight rather than staying home. A golf club where the golfer has many connections will see that golfer more frequently. They will play more often. They will linger and spend more. And who leaves a club where you have friends? And don't think the same can't happen at general retailers. Every town or suburb has pregnant mothers-to-be or new mothers spending time at home for the first time. These are difficult experiences. Making them a shared experience by hosting coffee mornings or support groups creates connections around your pharmacy.

And once that trusting relationship is established, will that future mother and carer to several look for support from somewhere else, or will their relationship with your business sustain?

For fitness instructors or cycling retailers similar opportunities exist. Training or riding together creates commitment. Commitment leads to success. Success leads to fulfillment and further ambition. Achievement because of your leadership creates loyalty. And ambition leads to more spend.

Customer & Community Knowledge

The third pillar is a building block. Technology should be a support. The community retailer needs to build up a deep understanding of each customer:

- a) Context in life – what time can they make available, what other pressures do they have on their resources?
- b) Their support group – Do they have family and friends that support or participate with them (in the activity you support)?
- c) Personal preferences - What is important or special to them? What are their red lines? Where do they stand on subjects like health, well-being, sustainability?
- d) The driving force – What are their ambitions? What achievements would mean most to them.
- e) Limitations – What can't they do? What opportunity would they not be able to exploit?
- f) Who they are – What sort of person are they? What environments would they function or flourish in? Who would be a good match up for them?

There is knowledge here that no computer system can assume or easily discern (although it is rapidly maturing). There is knowledge here that is difficult to digitize, but much that can be recorded and recorded more easily than ever.

Once trust has been established there is almost no question that won't be answered. Once that trust includes believing that you both care and have the knowledge and expertise to enable them to have a better life, then the likelihood of transparency increases exponentially.

Collect that information and acquire that knowledge. It is an advantage to you.

Translating that into value

Now you have the ability for each customer to know what is best for them. To understand what they consider most valuable. What is priceless in value for them as opposed to anyone else. You have the unique ability to face-to-face make a proposition that has the greatest chance of success. Far greater than a 'system.'

You are not offering a transaction; you are offering a solution to a challenge or a window to exploit an opportunity that is available and important to that individual customer.

With that knowledge of the customer and the understanding of the extent of their relationship with you and with others, there is the opportunity to totally customize the solution including the price. Because for the independent, it is not about product-profitability, it is about customer-profitability.

For a customer who has already bought everything from you, why not reduce the price on a product? For a customer who you know will influence other customers, why not cede some margin in exchange for their influence?

Now you can build your strategies around your customer and not the product. And that opens the opportunity for partnerships that extend your product offering.

You know who would want to ride a stage of the Tour De France. You know who would want to play the best courses in Florida. You know who would be interested in a health retreat in Costa Rica.

You know who would benefit from a discussion with a fitness coach. You know who would benefit from Pilates. You know who would be better off with a discussion with a dietician.

Your ability to change the lives of your customers is almost limitless.