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Does Customer Loyalty Count Again?

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By Pam Baker
July 19, 2004 5:50PM

According to Carrie Johnson at Forrester prices remain the single most-important customer percent of consumers say low prices are important, and 79 percent say low prices are very making them loyal to a retailer, online and off.

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Despite signs of improvement in the general economy, many retailers are showing losses or only marginal sales increases. With little to nothing left to cut from bare-bones budgets honed by nearly four years of hard economic times, retailers are looking at unconventional ways to plug profit drains and up the ante on customer seduction.

While [Best Buy](#) is worried that some customers are costing the store too much and is focusing on exorcising "demon customers," discounter [Wal-Mart](#) is luring price-conscious consumers with more product and service selection at even-lower prices.

"Why would we turn on the very people who made us who we are?" Sharon Weber, spokesperson for Wal-Mart, told NewsFactor. "We will continue to fight on behalf of our customers for low prices."

Counting on Loyalty

Although Best Buy's and Wal-Mart's approaches differ, both are counting heavily on customer loyalty 🗨️. Best Buy is tightening its rebate policies and revamping its big-store sales to discourage customers who buy only items on sale, or waste valuable salesclerk time by not making a purchase after the clerk has answered questions and demonstrated products.

According to Brad Anderson, Best Buy's chief executive, the company is also trying to guard itself against losses from customers who file for rebates and then return the item for a refund, making a profit from the exchange. Although there is nothing technically illegal about customers collecting a rebate and a refund, the effect on the store's coffers is the same as profit loss through theft, he says.

Still, customers are not disposable commodities in the current competitive market. Rather than dumping deadbeat customers, the company is looking for ways to make unprofitable customers profitable and welcome again, says Philip Schoonover, Best Buy's executive vice president. The company also plans to offer special sales incentives to selected customers to reward customer loyalty and encourage repeat sales.

Best Customers?

According to [Forrester](#) Research, Best Buy shoppers are a young, wealthy, tech-savvy group that frequent the store for higher-end stereo systems, televisions, video games, and DVDs. Best Buy commands 20 percent more-loyal shoppers than competitor Radio Shack and 24 percent more than [Circuit City](#) 🗨️.

It remains to be seen how the current bad press on the company's newly coined term "demon customers" will affect that loyalty. "I am offended," says D.J. Chalkley, an 18-year-old college student. "I don't want to shop there anymore. I think I can find better prices online anyway, and no one there will kick me out and criticize me for saving money."


Chalkley may not be alone in his reaction. According to Carrie Johnson at Forrester Research, low prices remain the single most-important customer concern -- 40 percent of consumers say low prices are extremely important, and 79 percent say low prices are very important in making them loyal to a retailer, online and off.



'No Games'

Retailing giant Wal-Mart tops retailers in loyalty overall and attracts 29 percent more-loyal shoppers than Target, its closest industry competitor, according to Forrester Research. "We don't play games with customers, we don't have sales, we simply have the lowest prices everyday online and off," says Weber.

Wal-Mart is aggressively seeking to increase its lead over all competitors in virtually every category. One of the company's main strategies is to merge its online and store operations into a near-seamless operational stream. Select stores throughout the nation are testing Internet kiosks that allow customers in the store to order online from Wal-Mart's Web site if they don't see an item they are looking for displayed on the sea of in-store shelving.

"Our online and store operations complement one another, and each drives the other," says Weber. "Wal-Mart is Wal-Mart in any form, the low prices will continue to be a mainstay, but products and services will be dictated by our customers. Our customers are the rudder that directs the Wal-Mart ship -- we will go wherever they want us to go." 

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