



New Ideas to Maximize Sales and Customer Relationships With Continuity and Auto- Replenishment



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Q: What is a continuity?

A: Any form of preauthorized distribution of products or services.

With this broad definition, even magazine, newsletter and newspaper subscriptions can be viewed as continuities.



Q: Why should you be interested in continuities and auto-replenishment?



Q: Why should you be interested in continuities and auto-replenishment?

A: Auto-replenishment and continuity customers are more profitable!



Research and Statistics Support Interest and Value in Continuity and Auto-Replenishment Programs

- 1.** In 2001 Peppers and Rogers Group and Institute for the Future surveyed experienced direct shoppers -- 40%-60% of these shoppers expressed interest in auto-replenishment type programs.
- 2.** On average, 50% of a cataloger's new customers buy only once and never buy again, and 20% of house file customers buy only once per year. Even if your stats are better than this, consider that continuity and auto-replenishment customers buy 3-6 times per year.



What kinds of products and services are candidates for purchase on a continuity basis?

- ***Products consumers don't want to run out of:***
 - .Medical: vitamins and supplements, maintenance medication
 - .Beauty Products: skin care, shampoo
 - .Household Cleaning Supplies and Paper Products
 - ."Addictive" Items: cigarettes, coffee, tea
 - .Pet Care Items: cat litter, pet food, flea and heartworm prevention, etc.
- ***Products with consumable parts required for use:***
 - .Office Products: staples, printer paper and ink cartridges
 - .Consumer Items: razor blades, coffee filters, batteries, CD-RW or Zip discs



What kinds of products and services are candidates for purchase on a continuity basis? *(continued)*

- ***Education and Entertainment***

- .books, videos, CDs
- .software

- ***Indulgences, "treats" and gifts***

- .Inspiration and Beauty: flowers, plants, motivational posters
- .Edibles: wine, beer, candy, popcorn, cheese, gourmet foods of any kind



What kinds of products and services are candidates for purchase on a continuity basis? *(continued)*

- ***Regular services***

- Personal Services: massage, acupuncture, pet sitting
- Renewable Services: home and auto insurance, internet service, tax software updates
- Home Services: yard maintenance, home or window cleaning, laundry

- ***Any predictable periodic need or want***

- Apparel: pantyhose, socks, underwear, uniforms
- Hobby Items: camera film, guitar strings, collectibles
- Lawn Products: annual seed, fertilizer



Products or services are easier to market to consumers via continuity approaches when they are:

- ✓ "Needs" (versus "wants") -- e.g. medication, insurance, shampoo
- ✓ Consumer requirements for the product or service don't change often -- e.g. vitamins, skin care, house cleaning
- ✓ Shopping for the item is considered routine and not "fun" -
- e.g. household paper products, cat litter
- ✓ Expensive "wants" that are easily broken up into multiple shipments and paid for one at a time -- e.g. collectibles, book, music and video series



Types of continuities

- ***Closed End*** -- a discrete series of items (collectibles, book or music series)
- ***Open End*** -- a specific item, often an update or renewal service (annual insurance or software upgrades)
- ***"... of the Month Club"*** -- different items each month within a narrow product area (e.g. red wine) can be open ended (every month until customer cancels) or closed end (specified number of months)
- ***Auto-Replenishment*** -- repeat same shipment every time until customer changes request so customer doesn't run out (coffee, skin care, vitamins)



Benefits of Continuity Marketing

For Your Prospect and Customer

- Predictable delivery and never run out
- Convenience -- save time and hassle of reordering
- Save \$\$ (depends on the marketer's offer)
- Predictable billing and budgeting

For You and Your Bottom Line

- Lower promotion cost for cross selling
- Less likely for customers to switch to competitor's products
- Predictable revenue stream and inventory management



Planning Considerations

■ **Inventory Planning and Management**

.Continuities make inventory planning more predictable by knowing today what you will need to ship next month and the month after, but out of stock situations can have long ranging "ripple" impacts on customers and revenues.

.A wide variety of inventoried sets and allowing unlimited customization of shipments can make inventory planning a big challenge, requiring ongoing demand analysis of the core SKUs as well as the product sets and combinations as they are actually ordered.



Planning Considerations *(continued)*

■ **Fulfillment**

- Standard items can be pre-packed, but that makes it challenging to ship one-time purchases with the continuity item(s) to save shipping expenses.
- Encouraging customization of shipments by continuity customers means limited pre-pack fulfillment and shipping savings from pre-packs.



Planning Considerations *(continued)*

- **Information Systems -- Some Requirements**
 - .Integration of data from multiple channels -- your shipping cycles must take into account activity from all channels.
 - .Current, recent and future shipment cycles accessible for customer service and ideally for customers on your web site
 - .The ability to change a delivery schedule, items shipped, etc. for individual shipments or globally for all future shipments
 - .Systems (internally or outsourced) that are designed to manage continuity customers and their shipping cycles. Attempting to adapt existing fulfillment and customer data management systems for continuity purposes will be expensive and problematic.



Planning Considerations *(continued)*

■ Promotion Planning and Customer Acquisition

• **Approach #1:** Use a continuity to acquire customers. This works best when your continuity item(s) sells well to prospects. Test solo mailings, inserts in other marketer's packages, or TV to acquire customers.

• **Approach #2:** Use your house file to promote continuity to appropriate segments based on product and purchasing profile.



Planning Considerations *(continued)*

- **Promotion Planning and Customer Acquisition (continued)**
 - Suggestion: Test your continuity offer to a house file cross section, then analyze segments and re-test. Use fast turnaround methods such as e-mail or telemarketing to confirm initial tests before bigger exposure to large segments of your file.
 - Important: Test small in order to address potential "hiccups" in information systems, customer service, fulfillment, etc.



Planning Considerations *(continued)*

- **Promotion Planning and Customer Acquisition (continued)**
 - **Test a variety of offers**
 - Acquisition premiums can be very effective
 - Special offers for continuity buyers not offered elsewhere -- Free S&H, special member discounts
 - **Integrate with other promotions**
 - Be careful not to offer continuity products elsewhere, at prices lower than continuity buyers are paying
 - Save postage and maximize space in continuity shipments by inserting other offers



Planning Considerations *(continued)*

- **Promotion Planning and Customer Acquisition (continued)**
 - **Creative Considerations**
 - If you promote via catalog, use a separate insert to promote your continuity. This allows you to simply omit the insert in versions sent to existing continuity buyers.



Planning Considerations *(continued)*

- **Reducing Cancels and Retaining Continuity Customers**

By getting what they want, when they want, customers have less reason to opt out of the program.

- ***Customization of regular shipments*** -- allow customers to customize shipments they receive on a continuity basis

- ***Give your customers control*** -- Allow customers to postpone or cancel specific shipments and to alter the frequency or specific set of items they receive on a continuity basis.



Planning Considerations

(continued)

- **Reducing Cancels and Retaining Continuity Customers (continued)**

• Provide continuity customers with "perks". Since they are more valuable to you, you can afford to treat them in special ways. Consider product discounts, free S&H, special product previews, special "before the public" sales, premiums, etc. Not only are these incentives to stay in the continuity, they can also encourage other customers to try your continuity program out.



Planning Considerations *(continued)*

■ Customer Service

.Integrating across channels is critical with continuity customers. Why? They're loyal customers with higher lifetime value, more contacts and thus more chances to offend and upset them by not recognizing their phone orders on the web, not having web orders accessible to CSRs, trying to sell them products they already have on auto-replenishment, etc.

.An initial welcome letter in the first continuity shipment detailing the way the program works, including how to change shipments or deliveries goes a long way towards ensuring that customers understand what to expect.



Planning Considerations *(continued)*

■ **Customer Service (continued)**

- Prepare customer service reps for customer "amnesia" that can occur. A few customers will forget they signed up for the program, and will express distress when a new shipment arrives. Pre-notification of upcoming shipments via phone or e-mail can reduce this problem dramatically.
- Provide a feedback loop with customer service, so CSRs (internal or outsourced) provide continuous feedback to the marketer of what customers are saying about the product, offer, etc. Insights CSRs provide into areas of customer dissatisfaction can be key to improving retention.



Program Analysis

- Lifetime value, including savings from predictable shipment flows and potentially lower promotion costs should be your primary measuring stick.
- If you cannot accurately measure customer lifetime value at this time, use the number of shipments sent to a customer over time as your closest proxy for that data.



Program Analysis *(continued)*

- Don't be afraid to test (and analyze) many different offers on the front end to convert existing buyers. You never know what offer may have the most appeal until you test it!
- For example, shipping multiple items at a time in a single shipment, although requiring a greater monetary expense by the customer, may generate greater conversions than more frequent, smaller shipments.



Program Analysis *(continued)*

- Periodically survey customers on their satisfaction and suggestions for new ideas so you can improve your continuity program and give customers more reasons to stay in the program.
- Track retention rates and try to understand WHY customers cancel from your continuity so you can proactively address the causes and stem the tide.



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