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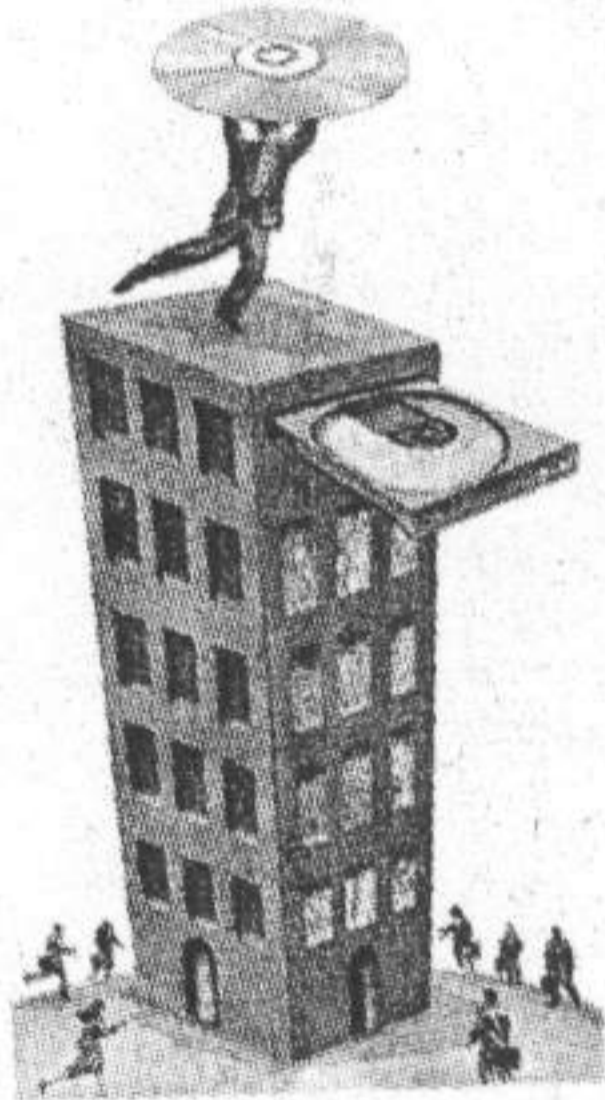
IN THE LEAD

By CAROL HYMOWITZ

CEOs Use Technology To Gather Information, Build Customer Loyalty

LARRY JOHNSTON, CEO of Albertsons, the big supermarket chain based in Boise, Idaho, wants to know the brand and container size of the detergent his customers prefer and what time of day chunky peanut butter is likely to sell out at particular stores.

He is getting the answers through technology like the Shop 'n' Scan devices now being tested at more than 100 Albertsons stores in Chicago and the Dallas-Fort Worth region. The handhelds, which will soon be available at stores in other cities, allow customers to tally and bag groceries as they shop, eliminating time on checkout lines. They also remind customers



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about items they may have forgotten. Shoppers who pick up a package of hot dogs, for example, are asked whether they also need pickles or rolls.

At the same time, Mr. Johnston and his subordinates get lots of information on customer buying habits—everything from how often shoppers buy a bottle of ketchup to what cookies or cosmetics they splurge on most. The information is used to target particular customers

for promotions and to track store inventories.

Stymied by slow growth in the economy and an inability to raise prices, Mr. Johnston and tech-savvy CEOs at other big companies are getting directly involved in figuring out ways to use technology to extract more profits from their businesses. These days they are using computers as much to gather information as to improve efficiency. The data they get enable them to cement relationships with their best customers, which translates into higher revenue and profits.

THESE EXECUTIVES ARE wary of systems and devices that promise too much or carry exorbitant price tags. Companies from Ford Motor to Merrill Lynch have cut technology budgets in the past few years after big spending sprees in the late 1990s on hardware and software that were never fully utilized. But now executives at the highest levels are zeroing in on data-warehouse systems that tell them what is selling and who is buying every second of the day.

At Albertsons, which spent some \$500 million on technology last year, "we're now in a completely wireless environment," says Mr. Johnston. Later this year, the company will provide all store directors and department managers with devices "that will tell us such things as, 'in 10 minutes, the store will run out of double-AA eggs, so it's time to restock,'" he says. One-third of stock items are in the back room of the stores, he adds, so "we'll be able to replace these out-of-stock items without incurring customer dissatisfaction."

Mr. Johnston and Chief Technology Officer Bob Dunst, who reports to the CEO directly, have also supplied all hiring managers with software to help in employee selection. The software guides the managers to particular questions aimed at determining candidates' ability to serve customers and their interest in a long-term job. It is helping to reduce the 70% turnover levels common at many retail outlets. Albertsons last year hired about 100,000 employees from a pool of more than two million applicants.

To launch Shop 'n' Scan, Albertsons worked with about 40 technology vendors, including Cisco, NCR and Dell. "If we know what you're buying each week, we can help you prepare menus, tell you if an item contains an ingredient you are allergic to and offer you promotions on items you want," says Mr. Dunst.

ALL THIS ADDS UP to more customer loyalty and more sales. Albertsons customers who use the Shop 'n' Scan devices are on average buying twice as much as they used to on each store visit. One reason: Because they can track the amount they are spending as they shop, they know exactly when they hit their budget limit and feel freer to buy until they do.

Las Vegas-based Harrah's began gathering and analyzing data on customers five years ago when it launched its Total Rewards program. Customers who sign up earn points every time they stay at a Harrah hotel, play at one of its casinos or eat in its restaurants. The program also provides managers with a lot of data. "By the time someone has made a third visit to us, we can predict where and how long they'll stay [and] how they'll play in the casino and spend money" on another visit, says Tim Stanley, Harrah's chief information officer.

Harrah's then targets particular customers for certain promotions. Frequent and high-spending customers get preferential treatment when booking rooms, quick check-in service, and special golf and ski trips, among other incentives. "We see 250,000 to 350,000 customers each day, and it's been very profitable to us to offer the best service" to the biggest spenders, Mr. Stanley says.

Repeat customers also get to advance from gold to platinum to diamond-level member, with more service offered at each level. Harrah's is now capturing more than 45% of customers' casino spending at its properties, up from 35% before it started the program.

As rivals have copied its program, Harrah's has refined its own by offering more real-time incentives. For example, a customer playing the slot machines who lost money on a prior visit may be approached by a Harrah's employee and personally offered a free meal or a \$10 gift certificate. "We have the data and can respond to customers individually, in real time," says Mr. Stanley.

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