Personalization of Customer Relation at Metro C&C

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University of Duisburg – Essen, July, 3rd 2009
1. METRO C&C at a glance
2. The customer management process
3. Customer segmentation
4. Customer segmentation at METRO
5. Personalized communication at METRO
6. Summary
METRO Cash & Carry – a core Division of METRO Group

METRO Group sales 2008: € 68 bn

* Status: May 11, 2009
METRO C & C is internationally leading in B2B Self-service Wholesaling

660 stores in 29 countries*

5.2 million m² total sales area

More than 100,000 employees

Sales of € 33.1 billion in 2008

Approx. 22 million customers

* Status: May 11, 2009
METRO C&C wholesale exclusively for professional customers

**HoReCa**
- Restaurants
- Fast Food
- Bars & Cafes
- Accommodation
- Caterers
- Canteen
- ...

**Trader**
- Generalist food
- Specialist food
- Kiosks & Petrol stations
- Wholesaler
- ...

**Services**
- Institutions
- Office based services
- Industries
- NF Trader
- ...

**Companies & offices**
- Health care
- Physical services
- Wellness
- Craftsmen
- ...

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**Image Description**
- A chef is preparing food in a restaurant.
- A man is holding a clipboard, possibly a trader or a service provider.
- Another man is working at a desk, representing a service provider or office worker.
### Store Concept for Professionals

METRO offers a store concept tailored to professional needs

<table>
<thead>
<tr>
<th>Description</th>
<th>Image</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stores located near the customers</td>
<td><img src="image1.jpg" alt="Stores located near the customers" /></td>
</tr>
<tr>
<td>Clearly arranged merchandise and wide aisles, professional environment (no-frills)</td>
<td><img src="image2.jpg" alt="Clearly arranged merchandise" /></td>
</tr>
<tr>
<td>Fast handling at the check-outs (extra long check-out conveyor belts, automatic payment terminals)</td>
<td><img src="image3.jpg" alt="Fast handling at the check-outs" /></td>
</tr>
<tr>
<td>Innovative devices for fresh goods (e.g. three different temperature zones only for fruit and vegetables)</td>
<td><img src="image4.jpg" alt="Innovative devices" /></td>
</tr>
<tr>
<td>Large partly roof-covered parking</td>
<td><img src="image5.jpg" alt="Large partly roof-covered parking" /></td>
</tr>
<tr>
<td>Continuing innovations in store fittings like walk-in wine humidor</td>
<td><img src="image6.jpg" alt="Continuing innovations" /></td>
</tr>
</tbody>
</table>

All this makes buying at METRO Cash & Carry fast, efficient, flexible and convenient
<p>| | |</p>
<table>
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</table>
The traditional buying orientation

The BSR formula:

Buy as cheap as possible → Sell as expensive as possible

Repeat this as often as possible
Customer orientation request consistent processes

Customer management process

I  II  III  IV  V

Customer
Customer segmentation

Assortment building
Build full ranges for target groups based on their needs

Price building
Achieve price leadership for ranges and core target groups

Value added services
Build/strengthen long term relationship with core target groups

Communication
Implement target group specific campaigns

Identify and learn about customers

Create a customized & personalized offer bundle

Personalized communication

In the following the presentation focuses on point I and V.
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Customer segmentation is a base of personalized relation

Customer management process

I. Customer segmentation
   - Build full ranges for target groups based on their needs

II. Assortment building
   - Achieve price leadership for ranges and core target groups

III. Price building
   - Build/strengthen long term relationship with core target groups

IV. Value added services
   - Implement target group specific campaigns

V. Communication

Customer segmentation is the starting point
Customer segmentation’s mission

... splits a heterogeneous entire customer base ...

... into smaller, homogeneous customer clusters:
- sufficiently heterogeneous among each other
- for a targeted & differentiated approach
Customer segmentation’s criteria

Most common criteria are:
- Customer value
- Customer lifecycle stage
- Buying behaviour
- Sociodemographics
- Geography
- Lifestyle
- ...

- But other criteria are also possible
Customer segmentation’s purpose

From „one size fits all“ ... to segment-specific offer & activities

Differentiated products, prices, promotions, places and clear-cut reporting
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Customer data is an acid of our business formula

- **Name**: Name of the owner and of employees
- **Location address**: For MMail distribution, individual mailings, manager visits…
- **Phone numbers**: For Telemarketing (CCC Outbound), Customer manager pre-visit calls, inbound call, customer recognition
- **Email**: For Newsletter distribution, individual response (Outbound)
- **Promotion Indications**: For correct addressing targeted customers
- **Permission for Marketing Incentive**: Depending on national legislation

It helps us to communicate with customers but not to personalize offer bundles and communication
Therefore, we have set up a standard customer segmentation concept

METRO has identified the branch as the base criteria for segments and its criteria

<table>
<thead>
<tr>
<th>Branch segmentation represents customers business needs</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ Most significant criteria: The branch represents the type of business</td>
</tr>
<tr>
<td>▪ It is the most reliable indicator for what customers need for their business</td>
</tr>
<tr>
<td>▪ Leading principle for TGM, customer management, field organization, reporting with P&amp;L (= like categories for buying)</td>
</tr>
</tbody>
</table>

<table>
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<tr>
<th>Branch-specific needs</th>
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<tr>
<td>Core needs</td>
</tr>
<tr>
<td>General needs</td>
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</tbody>
</table>

<table>
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<tr>
<th>Branch un-specific needs</th>
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</thead>
<tbody>
<tr>
<td>Complementary needs</td>
</tr>
<tr>
<td>(not business &amp; branch related)</td>
</tr>
</tbody>
</table>
The branch segmentation consists of 4 levels

Consent of centralization and local markets

**Two common levels, mandatory for all countries**
- Reporting & Management Information
  - Common definition
    - Level 1: Customer main segment
  - Common definition
    - Level 2: Customer segment

**Two individual levels, defined by the countries**
- Operational use for Marketing
  - Country specific
    - Level 3: Customer Main Branch
- Customer registration
  - Country specific
    - Level 4: Customer Branch
The 4 level use of the branch segmentation

International

Level 1
HoReCa

Level 2
Restaurants

Local

Level 3
Italian Restaurants

Level 4
Pizzeria
International common levels 1 & 2

**Level 1**

- **HoReCa**
  - Restaurants
  - Caterers
  - Generalist Food
  - Specialist Food
  - Health care
  - Wellness
- **Trader**
  - Petrol station
  - Kiosk
  - Physical services
  - Craftsmen
- **Services**
  - Wholesale / Buying coop.
  - Others
- **Companies & offices**
  - Institutions
  - Industries
  - Offices based services
  - NF traders

**Level 2**

- **Accommodation with restaurant**
- **Accommodation w/o restaurant**
- **Street market**
- **Wholesale / Buying coop.**
- **Others**

**Others**

**Others**
Based on branch segmentation customer needs can be identified.

Using quantitative customer research methodology

**Example: Italian restaurant**

**Core needs**
- Flour
- Mozzarella cheese
- Tomato sauce
- Plates
- Pizza take away carton
- …

**General needs**
- Cleaning products
- Toilet paper
- Stationary
- …

The branch segmentation helps us to define personalized offer bundles.
Further criteria consistently enhance the view on the customer

**Base criteria**
- Customer branch: e.g. Italian Restaurant

**Further criteria**
- **Value:** Spending – frequency – potential - …
- **Buying behaviour:** Categories – price – frequency – promo - …
- **Lifecycle stage:** Potential – new – developing - …

**Additional information**
- Chain/ independent
- Size of business
- Number of tables & plates, rate of rotation
- Average invoice
- Number of guests, rooms, employees
- Size of commercial area
- …

Customer Master data = Name + Address + Telephone + Mail + …
The value segmentation helps to allocate marketing resources

### Value mechanisms

#### Value indicators

<table>
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<tr>
<th></th>
<th>Customer share</th>
<th>Sales share</th>
<th>Visits/Customer</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 %</td>
<td>30 %</td>
<td>123</td>
<td></td>
</tr>
<tr>
<td>4 %</td>
<td>22 %</td>
<td>58</td>
<td></td>
</tr>
<tr>
<td>5 %</td>
<td>12 %</td>
<td>38</td>
<td></td>
</tr>
<tr>
<td>10%</td>
<td>13%</td>
<td>25</td>
<td></td>
</tr>
<tr>
<td>30%</td>
<td>17 %</td>
<td>12</td>
<td></td>
</tr>
<tr>
<td>30 %</td>
<td>5 %</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>20 %</td>
<td>1 %</td>
<td>2</td>
<td></td>
</tr>
</tbody>
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#### Value segments

- A customer
- B customer
- C customer
- D customer
- E customer
- F customer
- G customer

### Goal of value segmentation...

#### Short term

- optimizing direct marketing spends based on the value of a customer
- increase efficiency in customer selection
- contact planning for each value segment

#### Mid term

- shifting Marketing spends to our valuable customers
- .. and from “endconsumer” to our core target groups

---

The value segmentation helps us to define how to approach the relevant customers efficiently and effectively.
The buying behaviour helps to identify potential

Potential: Core needs (Italian restaurant)
- Flour
- Mozzarella cheese
- Tomato sauce
- Plates
- Take-away carton
- …

Buying behaviour: e.g. sales per category

Increase share-of-wallet

Up-selling potential
- Increase flours sales
- Increase plates sales

Cross selling potential
- Stimulate Mozzarella sales
- Stimulate Carton sales

The buying behavior helps us to identify the relevant categories
The customer lifecycle defines the customer’s status

The customer lifecycle helps us to identify the customer’s status
At the end we know the customer and we can personalize our offers

Enriching customer knowledge: Customer DNA as a base for personalized relation
Customer segmentation is a base of personalization of relation

Customer management process

I
Customer
Customer segmentation

II
Assortment building
Build full ranges for target groups based on their needs

III
Price building
Achieve price leadership for ranges and core target groups

IV
Value added services
Build/strengthen long term relationship with core target groups

V
Communication
Implement target group specific campaigns
Customer are segmented and selected

Data base

Entire customer data base

Branch

Restaurant  Grocery  Bakery  Bar Pub

Enhanced criteria

Customer lifecycle  Customer value  Buying behaviour

Target group

Relevant customer segment
Appropriate communication channels need to be defined

Each customer segment has certain affinities for specific communication channels

1. Fax
2. Mail
3. Call Center
4. Field Force
5. Web
6. Mobile
The communication’s content is personalized

### Example: Promotion for Traders, HoReCa, B-value segment, developing stage

<table>
<thead>
<tr>
<th>Level 1</th>
<th>Trader</th>
<th>HoReCa</th>
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<tbody>
<tr>
<td></td>
<td><img src="Image" alt="Trader Mail Belgium" /></td>
<td><img src="Image" alt="Le Chef Italy" /></td>
</tr>
<tr>
<td></td>
<td><img src="Image" alt="Trader Mail Bulgaria" /></td>
<td><img src="Image" alt="Le Chef Romania" /></td>
</tr>
<tr>
<td>Level 2</td>
<td><img src="Image" alt="Kiosk Mail Bulgaria" /></td>
<td><img src="Image" alt="Hotels France" /></td>
</tr>
<tr>
<td></td>
<td><img src="Image" alt="Bakery France" /></td>
<td><img src="Image" alt="Pubs &amp; Bars UK" /></td>
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The communication’s content is personalized

Example: Dialogue Marketing for Traders & HoReCa

- **Acquisition**
  - Acquisition mailing
    - METRO Romania

- **Activation**
  - Welcome mailing
    - METRO Germany

- **Reactivation of F - customers**
  - Reactivation mailing
    - METRO Hungary
  - Deletion mailing
    - METRO Spain
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Personalized relation by adapting the customer management process to Metro

Customer management process

I. Customer
   - Branch segmentation
   - Enhanced criterias
   - Master data

II. Assortment building
   - Build full ranges for professional needs of the different branches

III. Price building
   - Achieve price leadership for core ranges and core target groups

IV. Value added services
   - Create additional services to support our customer’s business

V. Communication
   - Branch specific communication based on their lifecycle and value status
Finally, every customer receives his personalized offer bundle…

… which leads to effective customer relations
Contact

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