ONLINE MARKETING

How the industry is using the Internet to connect with customers

by Suzanne Boles

Ask c-gas retailers whether they think the Internet will be the technology that drives this industry in the future, and reactions will be mixed. On the one hand, many believe the tried-and-true-methods of doing business will always apply. After all, this industry is all about customers coming to your place of business. So how could you possibly use the Internet as a means to that end?

But if you find yourself nodding in agreement, you might be surprised to learn that many companies have already made Internet technology a strategic component of their business. Sophisticated websites allowing access to stockholder information, product procurement and customer loyalty programs are quickly replacing the less sophisticated Web presence akin to an online business card announcing that you exist. And the Internet is becoming even more useful to the retail sector with technology that offers ways to handle more quickly inventory, accounting and payroll procedures, and complex ordering systems.

Technology consultant Richard Morochove, of Morochove & Associates Inc., says that at this point, retailers are using the Internet for two specific applications. The first is dealing with suppliers – "to be able to use your in-store inventory system to tell you what stock you have on hand and what the usage of the stock is, and have your system, essentially, order or re-order products so you can avoid out-of-stock situations."

KARRYS DOES IT

If you're one of the companies using the services of Karrys Wholesale Distributors, this may have a familiar ring. Karrys has its own proprietary Internet-based ordering system, "a value-added service for our customers," says company Vice President Sales, Peter Kerr. Though customers still have the option of using the Telxon method to order using UPC or product code to input the order by phone, more and more of their customers are logging onto www.karrys.com website to place orders and access their accounts on a secure server.

It's a fast and easy way to order and ensure on-time delivery of products with a system that that can be accessed day or night. Of course, there's no replacing that friendly and familiar face of the sales rep, and there are six reps who visit stores on a regular basis. But certainly the technology has saved time and money for both Karrys and their customers. Kerr also notes that their website allows customers to track their own personal sales history, learn about specials, shows and new products, and gain access to Karrys online magazine, 2C profit.

"An enhancement that Karrys has added," says Kerr, "is that we show them the running average purchases by SKU, which allows retailers to predict their needs based on past history. The other enhancement is that we tell them the 'A' in our repertoire – items that they are presently not purchasing from Karrys." This will assist the retailer in identifying lost sales opportunities based on the Karrys universe of purchases in Ontario.

"Specials are offered only through the web ordering process and are not available through any other order mechanism," says Kerr. "This gives our Konnected Retailers an opportunity for enhanced margins at the expense of their competition."

ADRIAN OLIX-THATCHER

PETRO-CANADA DOES IT

Morochove says retailers also use the Internet to provide customers and investors with access to information about their products, services or financial data… a scenario followed by Petro-Canada.

Says Petro-Canada's Director of E-Business, Lorne Lerner, "The purpose of our website for customers is to provide them with a place where they can get information or services in a fast, efficient, easy and intuitive way. And the other side of that, of course, is to make sure that when we do it, it's valuable to the business so it allows us to deliver services that give a return to the business." And that makes good business sense.

At www.petro-canada.ca, you can find out more about the company's products and services, including technical data and information about how to use the company's products, including lubricants, specialty fluids and oils. Safety information is also available. "So, for example," says Lerner, "if we have a manufacturer in Korea who's interested in using a different kind of lubricant, he may not have timely access to a Petro-Canada sales representative. But he does have access, at any time, to the product information on our website."

Internet visitors can also apply online for a job with the company, get investor information and download and print it off at their convenience, saving Petro-Canada time, supplies, and mailing costs. Petro-Points loyalty program members can access their account information online and learn about promotions, with the opportunity to find out more about links to the company's loyalty program partners like Sears Canada. Customers can order pre-paid gas cards online. And if they want to find the nearest location to a Petro-Canada Certigard Car Repair Centre, bulk fuel plants, Petro-Pass and US truck stops, and corporate offices, just look it up on the website.

But beyond this, says Petro-Canada's Web Project Manager, Wendy Gordon, there are also some valuable business applications. For example, by linking online franchisees can access reports for their business and other useful information. So, says Gordon, "We're going to realize value if we get information to our franchisees a lot quicker…That could mean training or campaigns that are coming up where we could get information to them quicker that way than with another method."

NICHOLBY'S DOES IT

Nicholby's uses technology for a variety of business applications. Though most of this proprietary technology is not web-based, it is far ahead of some of its bigger competitors. For example, Nicholby's has the ability to track products down to SKUs, providing profitability contribution statistics for every linear inch of space in each store. Though the company's Internet site - www.nicholbys.com <http://www.nicholbys.com/ – is fairly straightforward with basic information about the company, Nicholby's actually uses Internet technology for an important business application: "to link live to any of our stores from anywhere in the world," says company President Rob Kadlovski.

"We have the ability to be in that store every day." But, he emphasizes, "We don't use it in the franchise business as big brother to monitor things such as shrink. Our focus is strictly to ensure that our stores are at the highest standards at any given moment; the right products in the right place in accordance with our planograms. It doesn't replace the human being. It is strictly another tool to be closer to the store and to maximize its potential."

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THE FUTURE LOOKS BRIGHT

So is there a future for this technology in the c-gas sector? If statistics are an indicator, the answer is 'yes'. Says Lerner, at the end of 2001, 48% of Americans were using high speed Internet access. At the end of 2002, that number was up to 66%. And of the 34% that didn't have it, 31% were without because of lack of access and not by choice.

What that means, says Lerner, is that people want information. "They want it fast, and they want it now." But just providing information isn't enough. "You have to be very clear that when you give it to them, you're giving them something they can use, because if they can use it, then they will keep coming back. In the eyes of the customer, you've provided value to them because you've made it easier for them to do the whole or part of the transaction."

Morochove agrees, but he also understands why many retailers are reluctant to take the plunge. "And that's usually because the people who are putting in the technology have little understanding of sales or marketing. The business decision has to be to make this investment in technology based on return on investment (ROI). But many of the technology people do not understand the business case for technology. And without measuring gain, you don't know what your ROI is." So how can you gauge this? "You put in tracking. You make sure you measure," says Morochove.

That, in fact, is what Petro-Canada is now focusing on. "We're trying to improve at determining who our customers are who are coming to our site by getting their feedback, so that we can then better provide them with the services they want online." CGC

INTERNET BENEFITS RETAILERS

Increased Market Reach
The Internet can offer retailers a global online marketplace that extends well beyond the traditional geographic markets serviced by their physical stores.

More Customers Driven to Existing Channels
The Internet can be integrated into a retailer's overall marketing strategy in a way that helps to increase customer traffic at existing stores.

Improved Customer Service
Use of the Internet can contribute to highly effective two-way communication between retailers and customers and can serve as an extension of existing customer service programs.

Enhanced Market Research
The Internet can serve as a market research and product development tool for retailers through the use of online surveys, chat groups, and feedback forums which enable retailers to obtain data on their customers' preferences, ideas and attitudes.

Reduced Costs
Depending on the nature of a retailer's existing operations, the Internet can provide retailers with potential cost savings through lower: inventory, transaction, customer service, administration, and/or communication costs.

Mass Customization
The Internet can provide retailers with a more efficient and profitable means of processing orders and configuring products so that each product suits the specific needs of each customer. This, in turn, allows retailers to optimize their inventory management practices.

Development of One-to-One Marketing Relationships
The Internet can enhance a retailer's ability to target customers with specific marketing messages in order to better interact with them on an individual basis.

Value-Added Applications
One of the most powerful features of the Internet is the ability to capture information in a relational database that can be used to provide value-added services to customers. Suggestions can be made for other related products or services based on a customer's particular preferences, for example, or links can be provided to other Internet sites that may be of interest to a customer.

Source: Canadian Internet Retailing Report, Retailing on the Internet: A Guide, STRATEGIS, Industry Canada http://strategis.ic.gc.ca/SSG/ir01582e.html