

Essilor Increases Business-to-Business and Business-to-Consumer Revenue With CRM

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Essilor increased the loyalty of 1,150 independent opticians by partnering them in a CRM solution that helped acquire and retain new customers. By being innovative and aligning with its B2B customers' critical success factors, Essilor drove up revenue per optician by 14% through a CRM strategy.

WHAT YOU NEED TO KNOW

Help your business-to-business (B2B) channel partners access consumer markets if you have a high degree of B2B nonexclusive independent merchant channels. Create a win-win CRM relationship with them by increasing their revenues through your product offerings by using analysis of the B2B partners' customer data.

CASE STUDY

Introduction

Traded on the Paris Stock Exchange and part of the CAC 40, Essilor is a global firm with over 24,000 employees worldwide and an annual turnover exceeding 2.4 billion euros. Essilor came into existence in 1971 through the merger between Essel and Silor. Represented in 150 countries, Essilor provides spectacle products and is most known for its Varilux brand. The company has 18 mass production centers and 161 labs that manufacture semifinished to tailor-made finished products in the eyewear industry. Essilor is at the heart of a complex B2B and business-to-consumer (B2C) industry where its most profitable customers were being captured by the competition.

The Challenge

The Netherlands is one of Essilor's most competitive markets in the world. Essilor's retail channel in the Netherlands had in 2005 approximately 2,000 outlets, 1,150 independents and 850 retail chain outlets. The market grows at 3% annually, and there exists a high level of market penetration by transcontinental competitors from Germany and the U.K., with domination by two local chains in the Dutch market.

The independent optician was the most profitable channel for Essilor because of high consumer prices. These outlets were the ones that were most aware of Essilor's Varilux brand, which was a recognizable name in spectacle lenses. More than just the shop around the corner, independent opticians provide a strong focus on personalized service and custom products for a consumer that looks at eyewear not just as a health product, but also for comfort and design.

However, these independent shops had no ability to compete with large enterprises, with little to no time to spend on marketing activities. They were facing stiff competition in the short term and potential extinction in the longer term. These independent providers were losing market share quickly, and consumer price increases could not make up for losses in their sales volumes. These independents attempted to negotiate better buying conditions with Essilor as well as other suppliers, resulting in price-point sensitivity and poor buying loyalty. Essilor needed to design a strong CRM vision and strategy to make these independent opticians survive when pitted against the larger players in the marketplace in order to maintain the lucrative sales channel they provided to Essilor.

Approach

Essilor had created a B2B program previously, but consumers of its business partners were becoming disloyal. At the time, its communication means were not sufficient to start a dialogue with the end consumers. By creating a B2C consumer loyalty program, Essilor believed it would be able to increase the value of its relationships with its business partners and communicate with relevant target groups and consumer segments using its business partners' data. The Essilor

approach involved two tracks: one for a B2B program called Alliance, and a second B2C program for the Alliance members. The link between the two unique programs would be:

- Futures as a part of the payment for the consumer program
- The fact that Alliance membership is mandatory to use the consumer program

Setting up the B2B Alliance Program

Essilor wanted to maintain its strong position with its independent opticians. Essilor's slogan was when an optician performs well, Essilor would excel too. Essilor knew that independent opticians would view their relationships with Essilor as partnerships, making them more professional in their battle against big chains. By creating a relationship with the consumer, and by adding value, Essilor also planned to strengthen the brand awareness of its key product line, Varilux. Essilor's relationships with independent opticians (where Essilor had a 25% market share) were seen to be critical to the overall permeability of Essilor in the Netherlands marketplace. The objective was to create a B2C loyalty program to increase the loyalty of these opticians while providing them with an incentive to participate. Essilor identified the following clear project objectives and benefits:

- Help independent opticians compete and survive with larger players in the marketplace to soften their push on better buying terms and conditions from Essilor
- Help the independent chains in their contact capabilities with their consumers
- Increase the size of the loyal independent optician base
- Increase customer satisfaction
- Accomplish these goals with minimal capital investments and a win-win relationship of value that would attract independent opticians to participate in Essilor's campaign

Essilor created a sophisticated B2B consumer loyalty program that was designed at the end of 2002 and named Alliance. Alliance created a community among the independent chains bound by the same objective and challenge — namely, how to compete with larger players. In exchange for their commitment to repurchase products from Essilor, independent opticians could get professional business support from Essilor free of cost, which could be bought with future loyalty points (which each independent optician received with every lens order placed with Essilor). The quantities of the "Futures" points were tiered by the value of the lenses ordered. The opticians had to invest in a starter package to enable them to order lenses in an electronic way (electronic data interchange). The starter package provided some basic functionality for product promotions, some technical training and advertising possibilities. Essilor provided tailor-made training manuals for the independent opticians for promotions — promotion capabilities that would later provide for full campaigns to support a redecoration of the independent chain shops.

Supporting the Consumer Loyalty Program for Alliance Customers

The solution was designed to address the specific needs of the independent opticians. Loyalty Lab investigated how marketing money by eye care professionals (ECPs) was spent, and the majority was spent on ramping up customers, not retaining them. Independent opticians assumed that customers were loyal. However, the investigation efforts revealed that, for every replacement cycle for the independent opticians, 10% of their customer base was lost.

The solution itself was developed with a group of ECPs being on the steering committee, with Loyalty Lab and Essilor helping to drive the development of the CRM program. Frequent dialogue and live test mailings for the independent opticians helped drive toward an efficient six-month communications cycle and development of program test runs. After nine months, a "Solution

Tour" was organized where ECPs were provided with the complete solution. Opticians were shown that their break-even point was 1% of their consumers responding to this program. Short-term metrics were also projected for how many customers by campaign level would be ramped up as new consumers for the independent opticians. Long-term metrics where customers were being retained were also shown, highlighting the reductions in the interval between buys from four to three years.

An application service provider model helped make the investment an absolute minimum for Essilor and the independent retailers, fostered by T-Systems, Loyalty Lab and Epiphany, which understood the vision that a marketing-based approach was key to the program's success. As a result, the whole licensing cost model was fundamentally different, whereby Essilor would pay per active consumer account in the CRM database. Independent opticians were invoiced only for the cost of consumers per campaign, not high fixed monthly costs. Essilor's CRM technology solution required flexibility to accommodate distributed environments without "ripping and replacing" independent optician retailer (IR) legacy systems. The technology works with the majority of leading IR front- and back-office systems and is composed of the following core components, consolidated by Loyalty Lab:

- Independent retailers consolidated data mart
- Infor CRM application (Epiphany) for campaign management
- SPSS for complex data-mining analysis
- Packaged extract and write scripts to extract independent retailer data and read the contact history from the different independent retailer legacy systems
- Cendris for data validation
- Axciom to enrich data segmentation information
- Satisfaction survey application built in-house to allow access to data entry agency and independent retailers
- DMI (for digital printing)
- Tripolis (for sending out personalized e-mail and SMS campaigns)

Results

B2B Segment

- Market share of Alliance opticians increased from 29.9% to 38%
- Revenue increased per Alliance optician by 14%
- The number of Alliance opticians increased by 50% in the Netherlands alone

B2C Segment

- Brand awareness rose from 69% to 74% (aided)
- The number of customers in database was greater than 1.2 million
- The number of active customers participating in the loyalty program was almost 225,000
- Increase of 100% in total customer base since start of program

- Decrease of average replacement time by 100 days
- Increase in customer lifetime value by 28%
- Increase in average sales of glasses by 8%
- Consumer satisfaction is 8.5 points (scale 1 to 10, with 10 = most satisfied)
- Consumer churn reduced by 24%

The success of the program is convincing Essilor branches in other countries to set up a similar program. The expansion will be per country, as each country has its own profit and loss responsibilities. Loyalty Lab will handle the operations, including data and campaign management of the program centrally complemented by local sales and consulting support from Essilor.

Critical Success Factors

Change the Endgame of the Marketing Provider

Independent opticians needed to survive. A solution that was focused on the needs of marketers and not technology groups was central to Essilor's strategy. It organized a tour around the country, inviting independent ECP customers, and walked them through extensive market research, convincing them that something needed to be done.

Communicate Benefits Regularly

Essilor ensured that, on a yearly cycle, independent opticians were shown how many people came back into their shops based on their campaigns and consumer base. This helped keep the value of the program current and strategic for independent opticians to stay involved in. According to Essilor's Hein Vrins, "A step-by-step approach, of not wanting to go too fast to all segments of the independent opticians market was vital. Partnership with the independent opticians was key." Sales consultants continually explained to the independent opticians what the results of campaign efforts were, other in-flight initiatives that were being proposed by Essilor, and what plans for their CRM ecosystem were being developed.

Partnership Innovation

Essilor was able to partner and consolidate a consumer program with its B2B program, resulting in less cost in keeping additional customers satisfied with higher discounts. A marketing-based licensing cost model was enacted because of Essilor's ability to translate their vision to their key partners.

Focus on Return on Investment

The payback of the initiative of having 100 of their most loyal independent opticians cover startup costs of the system helped cover all the costs of the startup technology solution. Half of the cost was used to commercialize the program, whereby the program could be extended to the independent opticians. Increased financial benefits for Essilor, as well as robust customer insight and campaign management capabilities for marketing, were a huge benefit and provided the return on Essilor's investments, which were recouped in just five months.

Lessons Learned

Why have independent opticians won as part of this CRM implementation?

- A professional communication framework and insight in performance

- Close ties to their delivery partner
- Stronger relationships and better understanding of their consumers
- Increased revenue

Why has Essilor won as part of this CRM implementation?

- A 360-degree view of all customers and consumers (on an aggregate level)
- History to learn from, insight in trends and results
- Insight into what works and what doesn't
- Increased overall revenue
- Independent opticians are now looking toward Essilor for help with additional CRM capabilities

This innovation shows how CRM is more than just technology; it's a partnership of best practices, strong capabilities and a desire to achieve a world-class customer experience. Helping drive the B2C revenue of your B2B customers can help soften the impacts of pricing negotiations in non-loyalty-driven marketplaces. Loyalty programs like this can create value chain relationships with your B2C as well as your B2B customer bases and create a win-win value proposition for all parties.

Acronym Key and Glossary Terms

B2B	business-to-business
B2C	business-to-consumer
CRM	customer relationship management
ECP	eye care professional
IR	independent optician retailer

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