



## Practical experience: Case Study dm-drogerie markt GmbH & Co. KG

dm-drogerie markt GmbH & Co. KG opened its first branch in 1973. dm now has 936 branches in Germany alone and is the second biggest selling German drugstore. dm has over 910 additional branches Europe-wide.

### 1) Milestones for the PAYBACK card at dm

October 2000: dm becomes a partner in the PAYBACK multi-partner programme. With the introduction of the card, the company also began sending mailings to customers. Three months after introducing the card, dm had already issued 1.8 million cards to its customers.

Since 2000: The collected data is pooled in the dm data warehouse.

2002: dm introduces the PAYBACK Visa card. This card has a payment function. With the PAYBACK Visa card, customers collect an additional PAYBACK point for every 4 euros spent.

February 2005: Customers can print out cash coupons in the dm branches and redeem these directly at the tills.

January 2006: The industry partners of dm can access the dm extranet. They have access to all 12,000 articles in the dm data warehouse and to detailed sales slip analyses.

March 2007: The PAYBACK Plus card is introduced on 1 March. Unlike the PAYBACK card without payment function and the PAYBACK Visa card, customers can use the PAYBACK Plus card to make a payment as they would with an EC payment card, and can collect points at the same time.

#### *Multi-partner or stand-alone?*

dm decided to join a multi-partner programme for two reasons: firstly, a multi-partner programme offers significantly greater benefits for customers. The card can be used in multiple shops in different industries, allowing points to be collected quicker than in stand-alone programmes, and the customer does not have to carry lots of different cards around with them. Secondly, a stand-alone programme is more expensive to run. All the IT is developed and deployed centrally by PAYBACK, which means significant cost savings for dm.

### 2) Scope of functions and integration in customer management

#### *Evaluation and use of customer data*

The master data for the self-acquired cards is collected at dm and managed at PAYBACK. Information about which article was purchased, with which card number and when is recorded in the dm branches, thereby protecting the anonymity of the customers and their purchases. The collected data is sent to a data warehouse, where it is aggregated and analysed. dm supplies the purchasing data together with the card number to the service provider PAYBACK. PAYBACK then translates this data into mailings.

As part of the analytical customer management process, customer groups are identified and clustered at dm. This is done dynamically, based on the shopping basket, rather than on a socio-demographic basis. It is a very laborious process, but is the only method that actually delivers benefits for the customer. It enables both the direct mailings and the product range to be adapted to the customers' needs and optimised.

The primary aim of the customer card is to increase customer loyalty and customer satisfaction. dm seeks an equitable dialogue with its customers. The customer card facilitates this dialogue, because customers can communicate their wishes indirectly to dm through their purchasing behaviour or directly via the intranet in the branches. dm then evaluates all this information in an analytical customer management process (see above). dm has always put customer orientation high on its agenda. The customer card offers the possibility of facilitating and optimising this process. A further key goal is winning new customers through the partner structure of the customer card programme.

The other elements that can be influenced by a customer card, such as increasing purchasing frequency and cross-selling, are also defined by dm as goals of its customer management strategy. dm's philosophy dictates its goals in this respect as well – the company's actual customer orientation automatically leads to success. "It isn't a question of re-educating customers, it's simply a case of: the more we fulfil customers' wishes, the more successful we become," explains Gerlinde Sulzmaier, Managing Director of dm-drogerie markt GmbH & Co. KG.



*Derivative uses*

Optimising the choice of sites and the product range is already supported by customer card data, but this approach is to be intensified still further in future. dm also operates an extranet. This is used to give industry partners access to all the figures and information stored by dm. According to the dm management team, it is this exact knowledge of the customer requirements for all industry partners that ensures customers can always find what they're looking for in dm branches. The data is kept protected – personal data cannot be called up on the extranet.

*Benefits for the customer*

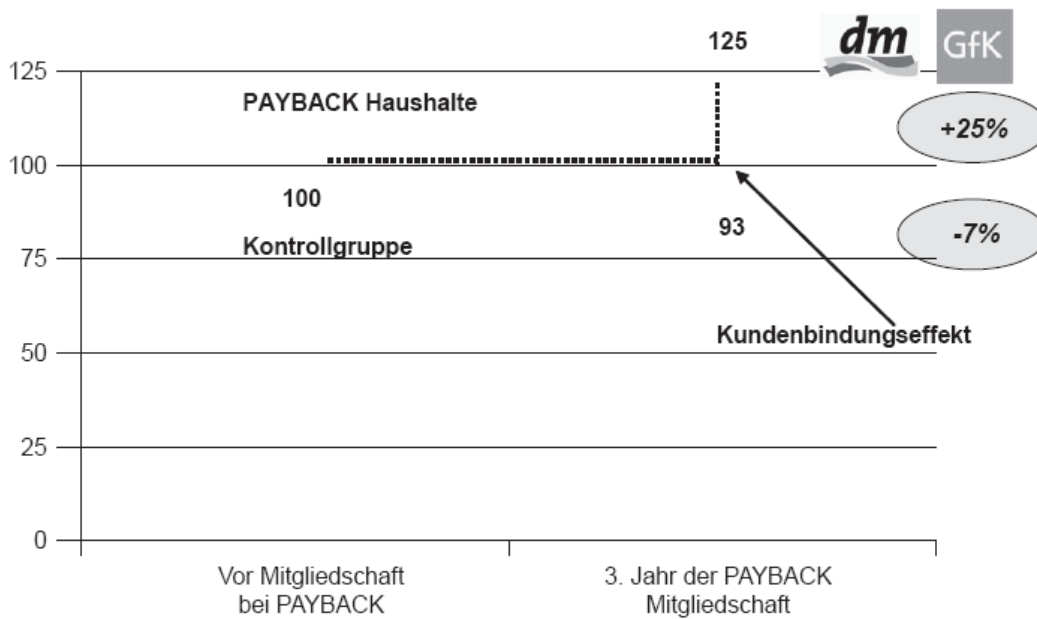
The direct mailings ensure that customers only receive advertising material that might actually interest them. The customer card also makes it easier for customers to have a say in how the product range is selected. Even before the introduction of the customer card, dm did this by means of a chit system. It now uses the intranet for this purpose.

*Expenditure by card customers vs. non-card customers*

Expenditure at dm by households that have the PAYBACK customer card has increased by 25 percent in three years.

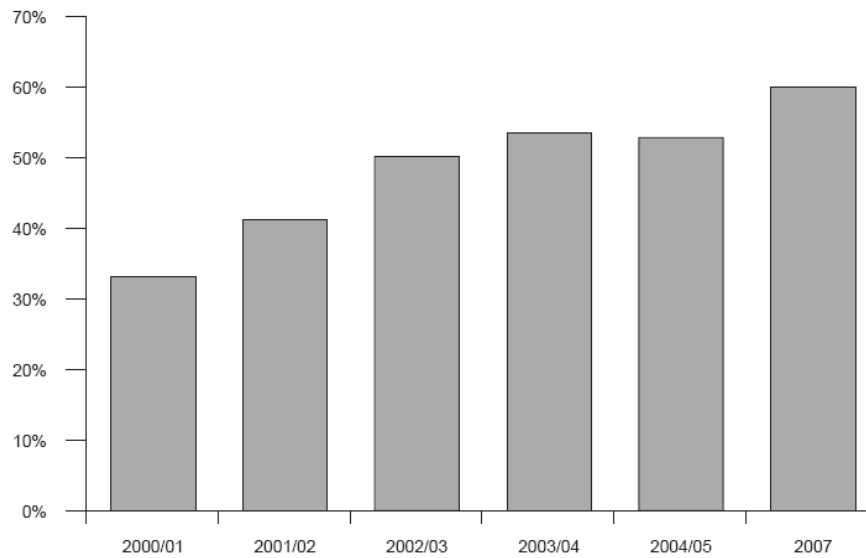
Expenditure by non-card customers at dm has decreased by 7 percent.

Development of expenditure per purchaser household at dm (indexed data)



*Sales generated by the PAYBACK card*

Over six percent of sales at dm are now generated by the PAYBACK customer card. 80 percent of sales are generated by regular customers.



### 3) Success of the customer card

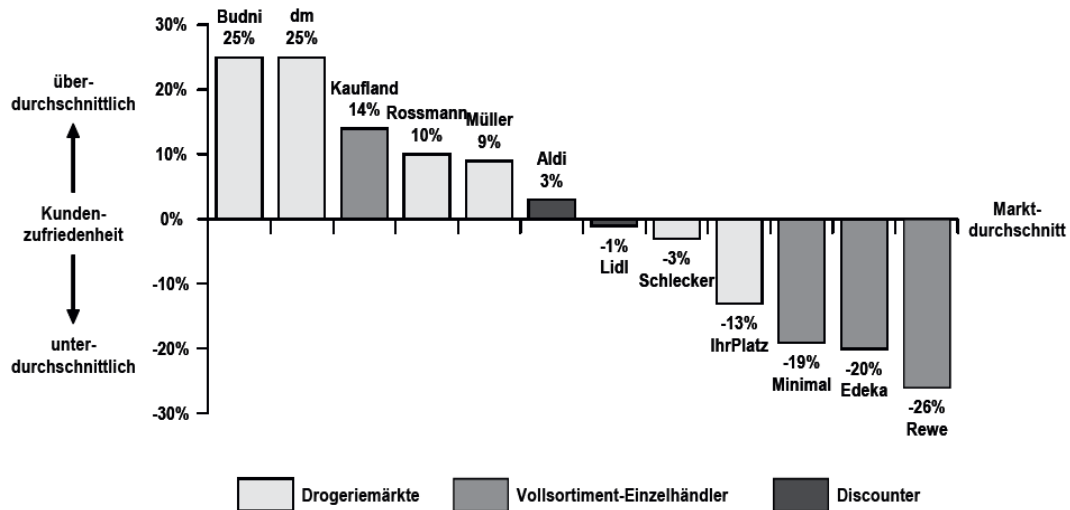
The primary aim of the customer card at dm is to reinforce the relationship between the customer and company. It allows the customer and company to enter into dialogue. For example, it enables customers to exert an influence over the product range selection. The principle goal of this is to reinforce the connection with the customer and increase customer satisfaction. External sources show that dm is fully meeting this goal.

It is impossible to determine precisely which part of the sales growth can be attributed to the customer card, since too many different factors influence a company's sales. However, differences are apparent between customers with a customer card and customers without. The sales slip figures of card customers increased more on average than those of non-card customers. Currently, the average sales slip of a non-card customer comes to around Euro 8, while that of a card customer is between Euro 12 and 13. 60 percent of the total sales are generated by card customers.

The outstanding customer satisfaction levels at dm also confirm the success of the dm customer card programme.



Customer satisfaction



dm is one of the drugstores with the highest levels of customer satisfaction.

### Loyalty Partner GmbH

Loyalty Partner GmbH has built up unrivalled know-how through the successful development and operation of PAYBACK, the biggest bonus programme in Europe. The experts in customer management now serve numerous companies through three subsidiaries – PAYBACK, emnos and Loyalty Partner Solutions. The chief focus of the highly individualised customer management solutions is maximum customer orientation. Using this basis, all operational and communicative activities can be tailored precisely to the needs of customers. This increases customer satisfaction and the company's profitability in the long term.

Loyalty Partner was founded in 1998 by Alexander Rittweger. Together with Martin Hollenhorst (CFO) he is today in charge of a company with offices in Munich, Dusseldorf, London and Paris and a workforce of 500.

More information: [www.loyaltypartner.com](http://www.loyaltypartner.com)

**Source:** Kundenkartenprogramme im Customer Relationship Management, Institut of Electronic Business, Berlin, Januar 2008  
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