

CUSTOMER INTELLIGENCE

Using Data to Improve Your Engagement with Shoppers



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Customer intelligence and why it matters

Customer intelligence holds tremendous value for retailers, no matter your location or market. It helps you stay competitive, and understand exactly what your customers want and expect from you. Just knowing customers' preferences alone can be vital to driving sales. But far beyond that, customer intelligence (CI) has the potential to reveal new demand, additional profit centers, and new tools and avenues for retail customer relationship management (CRM).

You're probably familiar with the term "Big Data." It refers to the huge amounts of data that wash over and around everyone. To a retailer, it means all of the diverse information you already have in your databases, plus any other data you might want or need to gather from other sources. If you take all this data, refine it into something useful, and analyse it for trends and insights, that's customer intelligence. Essentially, you're transforming raw information (data) into useable knowledge (intelligence).

CI undoubtedly can help you reach your retail goals and objectives, but the total amount of data that feeds into the intelligence stream is staggering—and will only keep growing. Retailers add more data every day just through omni-channel marketing alone. Data production worldwide is projected to grow nearly ten times within the next few years—from 4.2 trillion gigabytes of data in 2013 to 40 trillion gigabytes by 2020.¹ One industry observer calls this "a tsunami of information."²

Attempting to make sense of so much information is more than a little intimidating for many retailers. But the data tsunami also offers tremendous opportunities. As one authority on innovation and the economy points out, "Today's volatile business environment rewards those who can innovate the most quickly and respond accurately to changing consumer sentiment."³ That's why leading retailers around the globe take control of their customers' shopping experience, both online and in-store, and use CI to build strong engagements.

Customer intelligence represents the "next frontier for innovation, competition, and productivity."⁴ But like any frontier, it can be wild and untamed. By one reliable estimate, 80 percent of the world's data is unstructured.⁵ To make full use of it, your organisation has to impose order on that untamed data, sort it out and make sense of it. That's a huge challenge, but retailers who succeed can increase their operating margins by 60 percent or more.⁶ Lots of retailers are already turning CI into a competitive advantage. Some 24 percent of the online retailers and 9 percent of the big-box retailers now using CI are outperforming their respective markets.⁷

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¹"Big Data Will Get Bigger," New York Times, June 19, 2013.

²"Turning Big Data into Big Revenues," Bloomberg Businessweek Research Services, August 2012.

³Rethinking Analytics for the Social Enterprise, Tapscott Group, October 2012.

⁴"Big data: The next frontier for innovation, competition, and productivity," McKinsey Global Institute, June 2011.

⁵"Emerging Trends in Retailing Analytics in 2011," Gartner, February 2011.

⁶"Big data: The next frontier."

⁷"Turning Big Data."

Customer intelligence in retail

Certainly, customer intelligence should be top-of-mind for all retailers. The data-driven insights you can glean from CI are shifting the center of gravity in the decision-making process. Increasingly, you will make decisions of all kinds with “more science and less gut feel.”⁸

Successful retailers locate, analyse and understand key omni-channel data, and use it to serve customers across every channel. This means that you can understand your customers better every day, and improve their shopping experience everywhere, even in-store. CI can also involve new ways of capturing data, such as interactive digital walls with visual analytics and gesture-recognition, or coat hangers that display real-time Facebook “likes.”

The information that you pull from customer intelligence can be incredibly detailed. It can include what products customers typically purchase next after first buying product X, for example, and whether they buy it online, by mobile or in the physical store. This kind of information can help you create new, targeted marketing campaigns, and improve the customer experience when shoppers are in your store engaging with store associates.

The possibilities are endless for getting to know your customer better. The key isn't how you accumulate your information, but “how you slice and dice that data.”⁹ This can be daunting for retailers lacking the manpower, resources and time of corporate giants, who can hire analytical teams or expensive firms to crunch their data. And every retailer has a different need or requirement, which inevitably changes over time.

You have access to almost limitless amounts of data today, in internal databases, from outside data sources, or both. Yet, for a number of reasons, many retailers don't or can't use this data effectively. You can encounter any number of obstacles or handicaps.

- You might not have much data to start with, or not in a form that's easily usable
- Data quality is a frequent and serious problem, too—getting “clean” data (data that isn't cluttered with contradictions and irrelevant information) can be difficult for even the best retailers
- Once you have clean data, you still have to organise it effectively
 - Duplicated records can cause problems
 - So can poor cross-referencing, which limits “inferencing,” or the ability to reach logical conclusions
- Too often, the biggest roadblock is simply the inability to retrieve retail information from internal data silos

CUSTOMER INTELLIGENCE CAN INCLUDE WHAT CUSTOMERS BUY NEXT AFTER BUYING PRODUCT X, AND WHETHER THEY DO IT ONLINE, BY MOBILE OR IN A STORE.

COMMON OBSTACLES TO CUSTOMER INTELLIGENCE

1) LITTLE OR NO DATA

2) LOW-QUALITY DATA

3) UNORGANIZED DATA

4) INABILITY TO RETRIEVE DATA

⁸ “Sizing Up Big Data, Broadening Beyond the Internet,” New York Times Bits, June 19, 2013.

⁹ “Turning Big Data.”



Case Study: A Leading Tennis Retailer

Using Capillary's solutions, the retailer saw ways to increase sales and win back customers who once would have been permanently lost. We worked with the retailer's existing systems, and assessed the online and store customer databases. We also recommended ways to improve customer segments and product recommendations, plus when and how to target them. These deeper insights revealed how to segment customers for more effective targeting.

The results were 50 to 100 percent increases in response rates for certain customer groups, with a potential increase of \$1.5 million in annual sales from segmented campaigns.

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Customer intelligence best practices

Successful omni-channel retailers—those who seamlessly interact with customers via desktop, tablets, stores, catalogs, mobile, etc.—meet all these challenges, and draw meaningful insights from customer intelligence. But these retailers aren't as numerous as you might think. Only 19 percent say they are “nearly up-to-date and starting to get ahead of the curve.”¹⁰ Finding the right analytics talent is among the top inhibitors of better use of customer intelligence, too.¹¹ Many IT departments aren't ready for CI, either—more than half of IT professionals say they lack skills to analyse all their data.¹²

Many retailers also lack the tools to act on their CI in real time, and many CFOs are reluctant to spend on customer intelligence.¹³ And although 57 percent of interactive-marketing professionals say they measure each of their channels, only 28 percent measure the influence of one interactive channel on another.¹⁴ So, then, a large number of retailers operate completely in the dark, or at best in a deep twilight. But one thing is clear, as the director of the MIT Center for Digital Business and others have pointed out: “You can't manage what you can't measure.”¹⁵

At Capillary Technologies, we know that you can measure data, create valuable customer intelligence and take action on it. We've helped retailers create and use CI all around the world. We see four critical steps in this process.

1. Gather your data, which might be scattered in multiple databases, in multiple places, and not yet in any useful form
2. Organise the data so that you can analyse it—which includes validation, to make sure it's the information you actually want and can use
3. Analyse your data, and thoroughly understand what's happening with your customer
4. Take action on this customer intelligence for marketing and customer-experience purposes

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¹⁰ “Omnichannel Readiness,” RIS News Customer Research, October 2013.

¹¹ “The State of Customer Analytics 2012,” Forrester Research, August 8, 2012.

¹² IDG Research Services, August 2012.

¹³ “When CFOs Talk About Big Data, It's Often Just Talk,” CFO Journal / Wall Street Journal, November 13, 2013.

¹⁴ “Upgrading Your Interactive Measurement Strategy,” Forrester Research, December 6, 2010.

¹⁵ “Sizing Up Big Data.”



Case Study: A Leading Fashion Retailer

A leading fashion designer and retailer has a number of boutique stores across the US, and also sells in 1,200 specialty and department stores. Customer data was stored in point-of-sales and e-commerce silos, with no single view of customers across the stores or the channels. Sales associates had access to little or no customer data.

Capillary integrated all the customer data into one marketing data warehouse. We collected and cleaned the data from across all stores and combined it with the e-commerce data. This single view of their customers opened new selling opportunities across all channels, and gave the sales staff deeper “clienteling” capabilities — that is, the ability to bring customers into the stores, give them an exceptional shopping experience, and keep them coming back.

TURNING DATA INTO CUSTOMER INTELLIGENCE

1. COLLECT

2. ORGANISE

3. ANALYSE

4. ACT

How Capillary can help

CI is extremely valuable, and it adds to your top and bottom lines. But some retailers see all that data and are overwhelmed. Either they never take their first steps toward creating useful customer intelligence, or they look into their data and tease out a few insights, but never do anything about them. Capillary can help change that.

We start every engagement by defining the steps you need to take, providing relevant insights, and even suggesting appropriate campaigns based on specific characteristics of your customer base. We do this by very quickly demonstrating the value of these insights to create buy-in throughout your organisation, from the CEO down to individual sales associates. We help everyone leverage the power of CI to drive traffic and sales—from increasing your cross-sell and up-sell capabilities to improving the quality of every customer interaction—by making relevant information available in real-time, while your customer is shopping in your physical or digital store. In other words, we help you understand customers better, so you can market to them more effectively.

Capillary works with retailers just like you to use CI and increase sales and strengthen brands. If your customer interactions are based on partial, outdated or incorrect information, we help you understand the power of connecting the dots—the most useful and correct dots—through customer intelligence. We put new insights into your hands, and open up possibilities.



Case Study: PUMA

An international sports-lifestyle brand with a strong presence in the US, PUMA wanted to reduce total costs per customer acquisition and retention, plus increase average sales per customer. For a successful win-back strategy, the retailer first needed to identify inactive customers, and bring them back with preference-driven, multi-channel campaigns. Once they had returned, PUMA wanted to keep them interested, engaged and buying more often.

Capillary identified and targeted customers who hadn't bought from PUMA either online or in the stores for at least nine months. We then used their purchase histories, preferences and product affinities to create personalised, redeem-by-date vouchers across multiple channels (email, text messages, etc.), to achieve high penetration and rapid response. Once customers reactivated, we kept delivering campaigns that encouraged store visits or dynamically delivered offers while they were in the stores or shopping with PUMA online. Almost 4,000 lost customers reactivated for three months—80 percent more than the previous bulk campaigns delivered.

HOW CAPILLARY CREATES CUSTOMER INTELLIGENCE

- 1) DEFINES THE STEPS
- 2) DEMONSTRATES THE VALUE
- 3) PROVIDES INFORMATION IN REAL TIME
- 4) HELPS YOU UNDERSTAND CUSTOMERS BETTER
- 5) POWERS MARKETING DECISIONS BASED ON CUSTOMER INSIGHT

Conclusion

Retailers who ignore or underuse customer intelligence will find themselves at a disadvantage as their competitors surge ahead. CI can reveal new, actionable information from your databases. It answers important questions about what your customers want and need. Even better, it has the potential to uncover possibilities for sales and customer engagement that you might not foresee or expect.

Capillary helps retailers around the world understand and act upon their customer intelligence. Retailers as diverse as Nicole Miller and PUMA, Benetton and Tennis Express, call upon us for insights and improved methods for interacting with their customers. Forward-looking companies like these demonstrate the power and limitless possibilities of customer intelligence for retailers everywhere.

How effectively do you understand and use your customer data?



Capillary Technologies is a leading provider of cloud-based software solutions that help retailers of all sizes to engage intelligently with customers through in-store, mobile, social and email channels. Our platform powers end-to-end customer engagement, "clienteling," loyalty and social CRM for more than 150 major brands in 10,000 retail locations. We help bring instant shopper gratification to 75+ million consumers in the US, UK, Middle East, South Africa and the Asia-Pacific region. Our customers include industry leaders Nike, Puma, Pizza Hut, Benetton and T.M.Lewin. We were named Marketing Magazine's CRM & Loyalty Agency of the Year 2013, a Gartner 2013 Cool Vendor, and one of Mint/WSJ Bloomberg Businessweek's Hottest Technology Businesses 2013. We're backed by American Express Ventures, Sequoia Capital, Norwest Venture Partners and Qualcomm Ventures.

Learn more about Capillary Technologies.

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