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# Give Shoppers the Experience They Want, When They Want It

By delving more deeply into consumer behavior data and adding real-time capabilities, retailers can craft a more tailored, in the moment shopping experience across multiple channels.

BY JOE MULLICH

etailers today face unprecedented challenges to just about all aspects of their business model. Their customers expect the same prices, choices and convenience whether they shop in a store or online. These consumers are fickle, pursuing the latest fashion and products

while expecting retailers to deliver personalized recommendations and service when they need them.

To thrive, retailers need to understand their customers as individual consumers. They are applying analytics with real-time technologies to stay ahead of consumer demand, target customers more precisely and drive greater efficiencies throughout the enterprise.

The key is to move beyond making decisions that boost short-term sales and instead use technology to fortify the relationship with consumers. This approach creates a brand experience that can be as important, or more so, as the products being sold.

"Retailers should focus on using data to deliver more value to the individual consumer," says Don Peppers, an author and a founding partner of Peppers & Rogers Group, a marketing consultancy that specializes in customer-centric practices. "Retailers need to focus on using technology and data to truly differentiate themselves, because the differentiation is what will bring more sales."

That means analyzing the rapidly increasing volume and variety of customer data. Point-of-sale information and insights from social media and other sources create comprehensive portraits retailers can use to anticipate how customers will respond to marketing and merchandizing initiatives.

A March 2013 survey by consulting firm Brick Meets Click (BMC) shows the value of these data sources. Sixty-four percent of retailers said they are participating

#### FIGURE 1

#### **Getting Personal with Customers**

Areas where big data will create value. (% selecting)

#### Strengthening shopper engagement

76%

#### **Creating personalized promotions**

#### **Enabling more shopper solutions**

43%

#### Implementing store specific assortments

38%

Source: Brick Meets Click, 2013

in a big data project, up from fewer than 20 percent in 2012. (Big data is commonly defined by its high volume, wide variety and fast velocity—or rate of accumulation and change. It also encompasses unstructured data, such as notes, email and social media comments.)

BMC finds that most retailers expect to use big data to strengthen shopper engagement, interacting with customers more actively along the entire path leading to purchase (see Figure 1, "Getting Personal with Customers").

"Retailers are moving beyond reactionary analytics, where they just reviewed their season to plan for the next season," says Mark Olivero, senior manager, retail and consumer products sector at consultancy Capgemini. Instead, he says, they can use predictive

analytics to adjust their inventory, offer promotions and initiate other actions that impact the current season. Retailers can also respond to consumer demand in real time, with more customized offers that are based on in-depth knowledge about individual preferences.

#### Cracking the Personalization Code

Personalization is not a new practice, but it has been difficult to execute in the past due to retailers' limited ability to gather highly accurate information on consumers, store it and analyze it, especially in real time. Now, according to BMC, 69 percent of retailers are focusing on marketing to individuals, using big data as the means to offer more customized communications.

For instance, according to a report by the International Institute of Analytics, 1 kitchenware and home furnishings retailer Williams-Sonoma has honed its marketing campaigns by combining customer databases with income, home value and other consumer data on approximately 60 million households. The company is able to use this information to create more personalized emails based on its detailed understanding of its customers. Customers are up to 18 times more likely to respond to these messages than to general promotions.

"More detailed customer information allows for more accuracy and targeted offerings, better localized assortments, a more intimate customer experience," says Capgemini's Olivero. "The customer domain will begin to play as big a role in retail analytics as store and product."

However, getting good data on customers has not been easy, says David Marcotte, senior vice president of retail insights at consultancy Kantar Retail. Retailers in the United States, for example, tend to rely on loyalty data to learn about individual customers. But that data "tends to be really dirty: People sign up once and never personally update it over the course of decades," he says. "In the rest of the world, most retailers still use their own credit cards so are able to collect more accurate, up-to-date information."

Some retailers have devised new ways to coax consumers to give up more—and more precise—

#### FIGURE 2

## **Consumers Expect Same Experience Across Channels**

Products, promotions and price should be the same in-store, online and on mobile. (% of respondents who indicated they expect consistency)



Source: Accenture, 2013

information in exchange for a deeper relationship. For example, PC Plus, a loyalty program offered by Loblaws, Canada's largest grocer. The typical rewards program gives a tiny benefit to every customer, which can result in catering to many customers who only buy when items are on sale. PC Plus, which is integrated with a Loblaws smartphone app, analyzes customers' buying history and sends weekly promotions to their smartphones.

"This will help boost same-store sales growth one customer at a time, one transaction at a time," Uwe Stueckmann, senior vice president of marketing at the grocer, told the Financial Post. Because the program is personalized and does not rely on flyers to distribute promotions, Loblaws does not tip off competitors about its deals. The promotions can be tailored to local markets or individual stores, and it reduces pressure on the supply chain by reducing the need to stock large quantities of sale items.<sup>2</sup> For example, if Loblaws determines that a customer buys specific detergent at a regular interval, the grocer can provide an offer for that detergent right before the customer would normally buy it.3

#### Think Brand, Not Channel

When consumers provide personal data to retailers, they expect more than a discounted price in return. Retailers are making an implicit promise to deliver a consistent, accurate, high-quality interaction across all

- 1 "Real-Time Retail: Rapid Response to Consumer Demand." International Institute of Analytics, July 2012,
- 2 Shaw, Hollie. "Loblaw debuts digital loyalty app as grocery retail war heats up." Financial Post, May 6, 2013. http://tinyurl.com/opc5eit
- 3 Canadian Grocer, "Loblaw's lovalty program aims for the smartphone age PC Plus app lets customers collect points, create shopping lists and receive personalized offers." May 6, 2013 http://tinvurl.com/

touchpoints, says Paula Rosenblum, managing partner at Retail Systems Research. She notes that consumers perceive brands, not channels, and they expect the same experience with a retailer in any interaction with the brand. "Retailers need to start looking at information across categories and organizational boundaries and thinking of their operations as a cohesive whole," she says.

The Accenture "Seamless Retail Study," published earlier this year, surveyed 6,000 consumers from eight countries and found that 51 percent of instore shoppers expect product assortment to be the same across all channels. Nearly two-thirds (63 percent) expect price, including shipping charges, to be the same (see Figure 2, "Consumer Expect Same Experience Across Channels").

The savvy use of big data analytics helps retailers craft a better multichannel experience. Chico's FAS, which operates 1,225 women's clothing boutiques and outlets throughout the United States, uses analytics to track all of its products along the merchandising lifecycle, from purchase to clearance.

"That rich history...helps us understand our customer needs better and informs multichannel sales and inventory decisions," says Karen Beebe, Chico's FAS senior vice president of Systems Development and Delivery.3 Analytics has also helped Chico's understand and predict what influences consumer behavior. The deeper view of customers has enabled the company to react quickly as it grows. Inventory accuracy has improved by 80 percent; the time needed to create a purchase order has been halved; and physical inventory performance has been boosted by 75 percent.

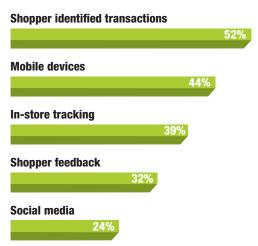
Analytics, combined with mobile technology and real-time processing, is also transforming how retailers address showrooming, the process by which a consumer examines a product in a brick-and-mortar store and then purchases it online, possibly from a different retailer. This is particularly an issue for retailers of high-ticket name-brand products such as consumer electronics, Capgemini's Olivero says. As online retail grows, however, so too will showrooming, he adds. As a result, retailers may need to match online pricing, offer their own

FIGURE 3

#### **Leaving a Trail**

Source: Brick Meets Click, 2013

Sources of data about consumers. (% selecting)



direct-to-consumer options or create more private-label products that are protected from showrooming.

Retailers' responses to showrooming reflect the multichannel relationship that consumers want to have with them. A recent Bizrate survey of more than 9,000 shoppers found that, contrary to the popular assumption, showrooming has little to do with price. Instead, consumers might visit a store because they want to physically inspect an item. They will then buy the product online because they do not want to carry it home and because purchasing it online (including from the same retailer) is more convenient.

The bottom line, experts say, is that retailers cannot have an antagonistic relationship between their online and offline selves if they expect to meet the demands of consumers who see no inherent demarcations between channels.

### Look Beyond the Usual Data

New technologies also offer retailers information beyond the usual transaction data and demographic profiles about what consumers value and desire. Customers leave what Brick Meets Click calls "digital breadcrumbs" everywhere, providing insight into their preferences and behavior (see Figure 3, "Leaving a Trail").

3 "Chico's FAS, Inc. Enabling A Multibrand Retail Growth Strategy." SAP. 2011. http://tinyurl.com/nn2xvop

For example, Chico's uses analytics tools to learn what customers are saying about its products and brand in social media. This gives the retailer a glimpse of what customers think beyond what they do in a physical store, through a call center or on a Web site.

Overall, however, retailers fall in the middle of the pack when it comes to using external data. A study by Tata Consultancy Services completed in March 2013 found that only 27 percent of the data retailers use for big data projects comes from outside the company (see Figure 4, "Getting Insight From the Outside").

#### Operate in the Moment

As retailers delve more deeply into analytics, they are likely to make discoveries that change how they operate. One common vision is that retail clerks will be able to use data and analytics delivered in real time to provide a better experience for customers, including the high level of personalization that is available online. "Initial forays might occur at high-touch retailers," Cappemini's Olivero says. Sales associates could, for example, have tablets to pull up information about individual shoppers and their prior purchases to help them with product selection in the store—matching colors from earlier purchases with new goods on the shelves.

Mark Jenson, partner of PwC's U.S. Retail & Consumer practice, mentions that analytics have helped leading retailers find unusual connections, such as goods that are in higher demand when gas prices rise. As a result, he says, they are changing their product mix. Meanwhile, says Paul Blase, PwC's Advisory Analytics Group Leader, retailers are using analytics to understand what makes consumers frequent particular stores. For example, through survey data and analysis of online buying behavior, retailers are identifying practices—such as generous return policies for Web purchases—that can be applied at brick-and-mortar stores to improve loyalty.

In today's retail environment, brands will not be built merely on the products offered. Growth will depend on a deep understanding of buying behavior and how to influence it, especially at the point of purchase and in real

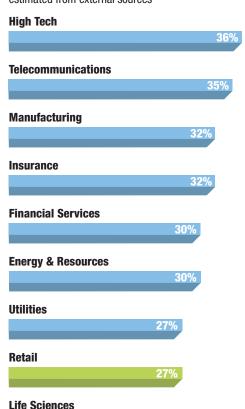
### FIGURE 4



#### **Getting Insight From the Outside**

Little of the data used in big data projects comes from external sources.

#### estimated from external sources





### Media/Entertainment 17%

Source: Tata Consultancy Services, 2013

time. Analytics provides a way to find consumers' hot buttons and to offer a shopping experience that cuts to the heart of what demanding customers want today.

26%

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This research project was funded by a grant from SAP.

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# How SAP Delivers Real-Time Insights to Improve Retail Execution

eing profitable as a retailer is getting harder. Online competition, with its price transparency, is increasing pressure on revenue. Meanwhile, consumer behavior is becoming more dynamic and increasingly mobile, making it harder to target and retain customers.

In response, retail is becoming more real-time. Consumers want product information, order status and even products delivered immediately. To retain customers and acquire new ones, retailers need to make cross-sell and up-sell offers on the spot, in addition to gathering and using feedback as soon as consumers provide it. Even supply chains are moving to real-time, as retailers optimize assortment planning, merchandising, pricing and allocation to maximize the return they get on their stores and inventory.

In this volatile environment, it is impossible to make decisions as rapidly and as accurately as necessary without a fundamental shift both in the way decisions are made and the way data is used to make them. Retailers' historical rules of thumb or reports about what happened last week and last month are not adequate for making high-quality decisions quickly. Retailers need real-time predictive analytics to understand more deeply what consumers want and respond to that demand in the most efficient way.

SAP is helping retailers around the world accurately assess the impact and effectiveness of their enterprise operations, including merchandising, the most effective store and channel assortments, marketing promotions according to their impact on profit, and gaining real-time insight about how customers are feeling and how this affects service delivery and product demand.

With analytics solutions from SAP for the Retail industry, businesses gain real-time insights into channel demand, customer insight, store operations, sales volume and profitability. Our analytics solutions help retailers efficiently manage and optimize their decision-making processes with a closed-loop approach to predict and visualize events and activities for higher revenue and a sharper competitive edge.

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