



# Customer Intelligence:

## The next level of customer experience

How Retail can benefit from Customer Intelligence Analytics

This e-book shows all the benefits of customer analytics for retailers. From more loyal customers to pricing optimization and providing an overall better omnichannel experience for the customer. An omnichannel experience that's more convenient for the customer, but that also contributes to the retailers' margins and business

goals. You will find out how other retailers use customer analytics to evolve from mass product-oriented marketing campaigns towards delivering the right offer to the right customer at the right time - while growing revenue through a better customer experience.

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1

Achieving growth  
in a saturated  
market

Retail stopped being just about running bricks & mortar shops a long time ago. It's been over two decades since the lines between offline and online started to blur. But in recent years, the list of retail possibilities has expanded tremendously, with new players with often disruptive models popping up constantly. This has made **the entire retail landscape much more complex than it was in the past**. Moreover, the big online

marketplaces – like eBay – have become rather dominant, **forcing all classical bricks & mortar players to change** as well if they didn't want to leave market share to the competition. And even if the online market share is just 1% – think, for example, of discounters such as Lidl – we're still talking about millions of dollars.

## Current landscape of retail formats



Not only has the number of retailers and the different retailer formats continued to increase, but there has been a proliferation of channels **on the consumer's side**, as well. In no other industry are there so many possibilities when it comes to buying a product. Retail models have evolved from single and multichannel to an integrated hybrid cross channel model. And, nowadays, we're even moving towards social omnichannel retail. However, the increasingly demanding customer makes no strict distinction between the several channels, but **expects a smooth, convenient user experience**. Even retailers who were still using a great deal of customer analytics to analyze customer behavior have to do their homework again in order to adapt to the amplification of channels and the speed at which the consumer uses them. It is here that customer intelligence comes into play if we want to better understand the non-linear customer journey and be able to interact with customers in an omnichannel world.

On top of that, **retail is a hypercompetitive market**. In the offline world, the competitors are literally next door; but online, they're just a click away. Online sales have had a strong effect on prices and margins, which are low compared to most of the other industries. Another big difference, in comparison with other sectors, is the speed and frequency of customer interaction. In telco, a customer may revise the content of their shopping cart maybe once a year. But most shoppers visit the grocery store at least once a week. Consequently, the brand and the additional services provided become crucial when it comes to attracting customers week after week. **Retailers must invest more in customer loyalty**, and offering them an excellent customer experience is one way to do this.

Retail has three main options that can help it thrive in such a complex and competitive environment. Each option is fueled by data and smart analytics offering deeper insight. They can cut costs by **enhancing**

**operational efficiency as well as prioritizing and streamlining processes**. On the customer's side, this will lead to a smoother omnichannel experience. Another often-heard answer is the personalization of services in order to **increase top line revenue**. Today, consumers are overloaded with inspiration and it's becoming more and more difficult to grab their attention. The increasingly demanding customer wants to be placed in the center of the retail arena. Customers are much more willing to buy something if they have the feeling that what is offered is tailor-made. A good, straightforward example of this is the global Coca-Cola campaign, personalizing soda cans with consumers' names. But perhaps the most effective approach when it comes to innovating into success - which is the main focus of this e-book - is to **leverage the existing wealth of (real-time) data in order to increase customer engagement** and be able to delight the customer with the best possible real-time experience on the market.

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"Nowadays,  
we're moving towards  
social omnichannel retail"  
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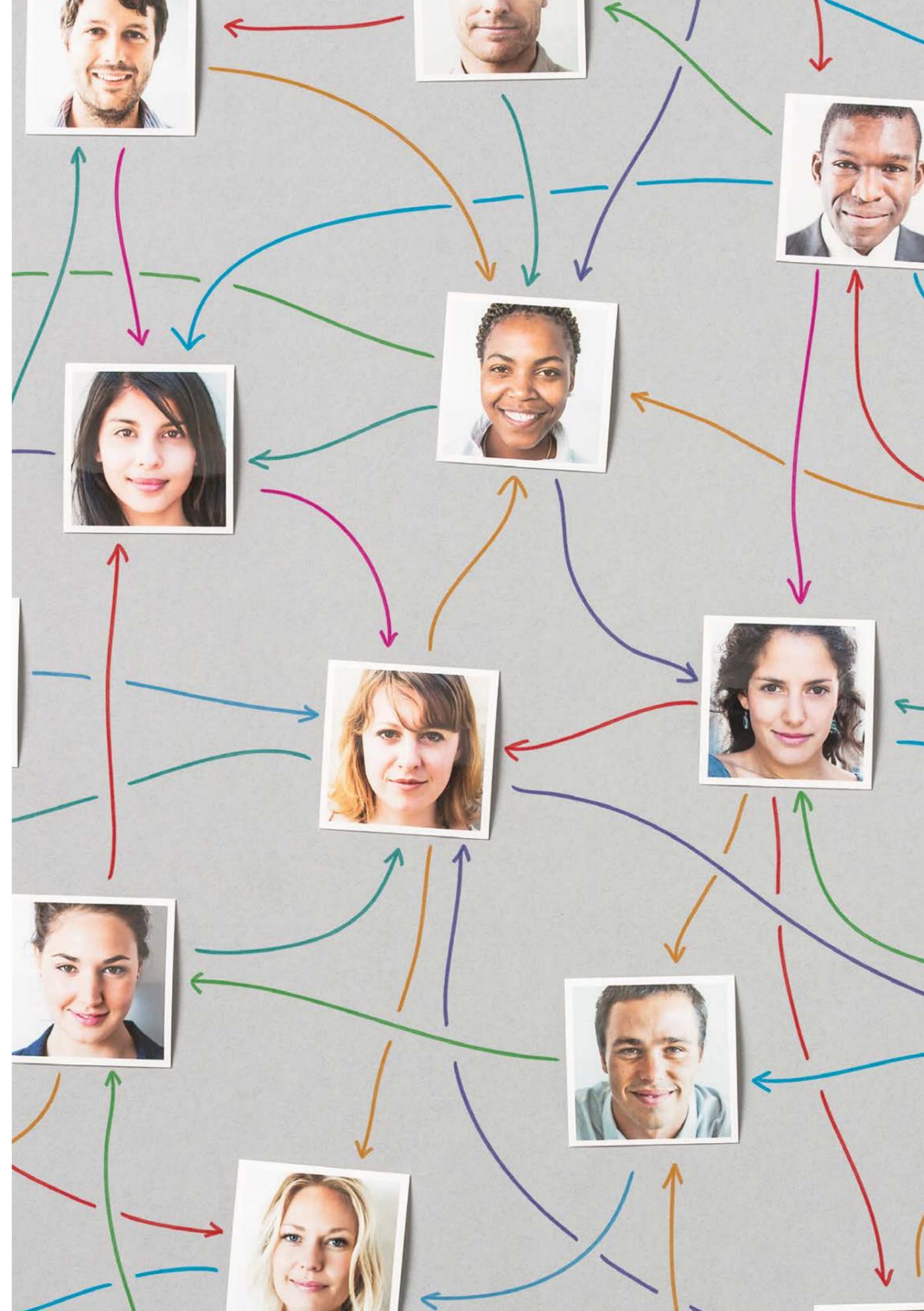


# 2

The retailers' omnichannel paradigm: need for a cultural shift

To offer their customers a superior customer experience, **retailers must make a cultural shift from product-oriented thinking to customer-centered thinking.** More and more retailers are centralizing their data and breaking down their data silos; this is a positive evolution. However, to be able to reach a high degree of customer focus, more is needed than technological optimization alone. **Retailers must organize their marketing teams in another way.** In the first place, they need a central content team. Then they must bring together category managers, assortment managers, campaign managers, analysts, to efficiently discuss the customer journey. The baseline is to have a flexible organization where information sharing is part of the DNA.

Simply using analytics and doing customer-oriented promotions does not make retailers customer-centered. They must place the customer in the middle of every interaction. Nonetheless, **for retailers this paradigm shift is a trickier point than for most other industries, due to the nature of their products.** If a retailer has a container with tomatoes on order, he must still do product promotion. The more the sale of a product has to do with customer loyalty - such as baby food or fashion - the more the customer-oriented approaches come into play. Whatever efforts retailers exert regarding customer intelligence solutions in the omnichannel world, they must be able to address both components.



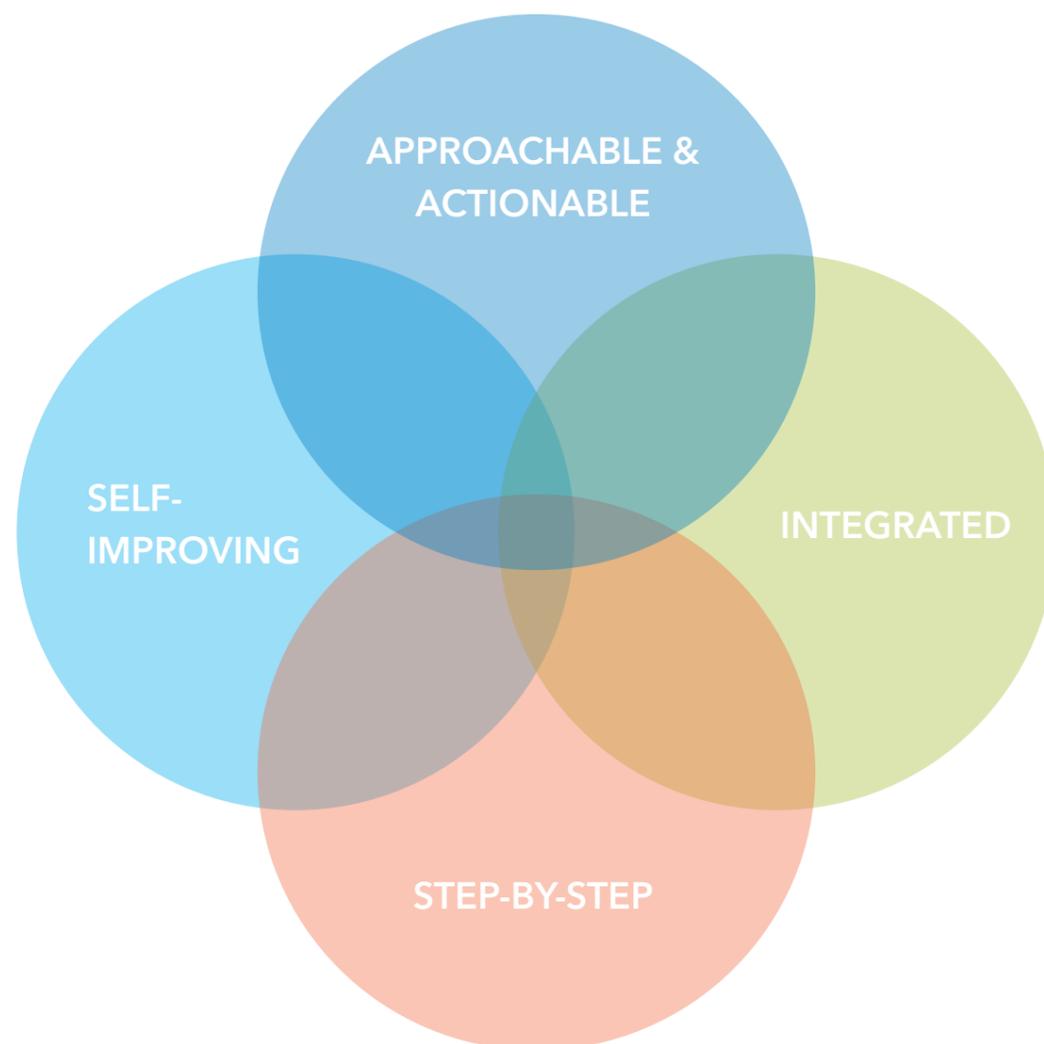


# 3

How to choose  
the right analytics  
solution - 4 tips

Finding the right customer intelligence solution for your company and industry does not always go without saying. We feel that there are four key characteristics for which you should be looking out.

## Four key characteristics of customer intelligence solutions



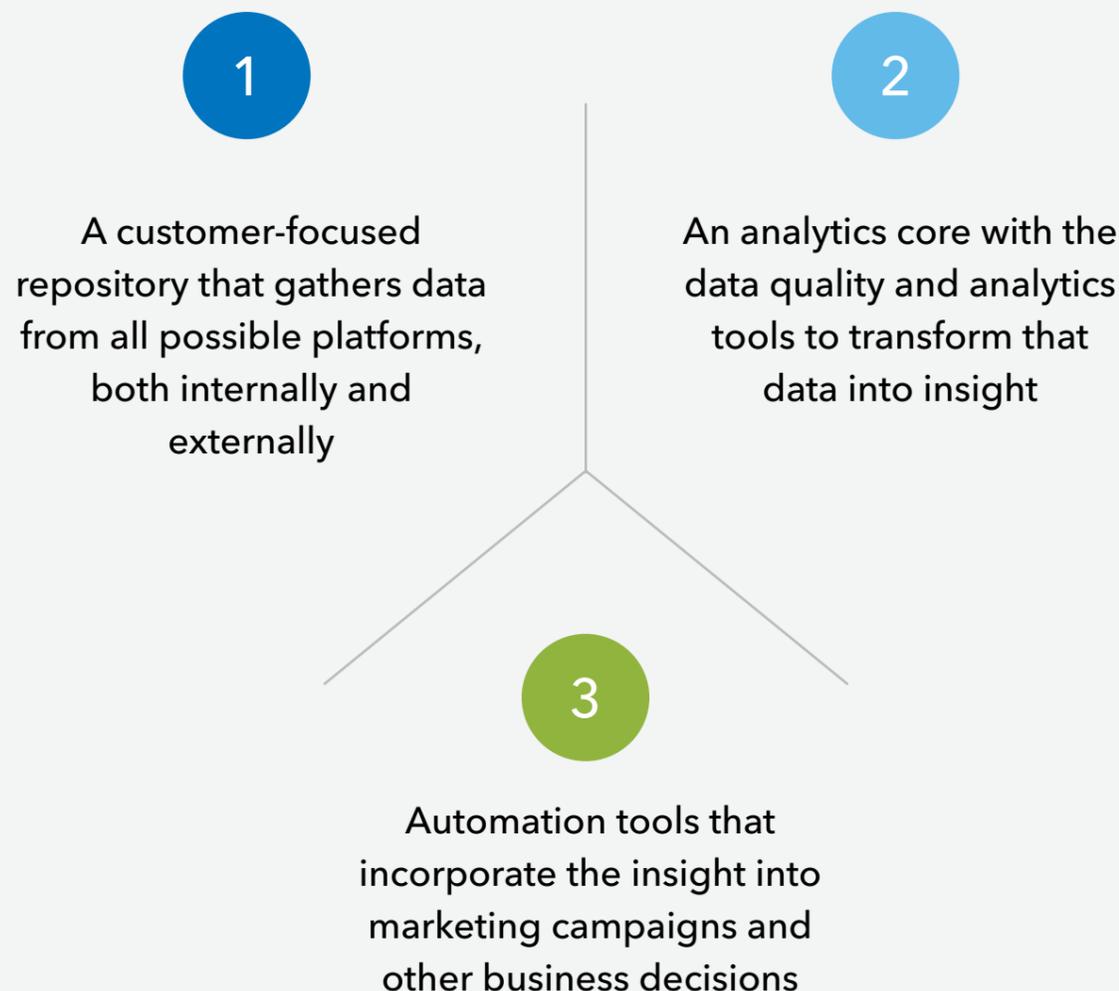
## Approachable & Actionable

**Business users must be in control of the customer experience.** It is essential that they can act upon the insights presented to them by the intelligent Customer Analytics solution. Big Data, for instance, is a rich source for customer intelligence. Yet managing and analyzing this high velocity, high variety and big volume stream of data is so complicated that only very few, over-requested and very expensive data scientists know how to do this. But if each and every insight must be created and then manipulated by statisticians before it is handed to the industry, everything is immensely slowed down. By the time a piece of intelligence reaches the marketing department - or another business department - it will have become obsolete.

Analytics solutions that are both approachable and actionable - what we call **a blue box approach** - are therefore a must. Business users can easily perform a self-service ad hoc query - like A/B tests or recommendations - and make an informed decision based on real-time and near real-time information. This can save a tremendous amount of time: for example, one major service provider trimmed the time required to launch a campaign from three weeks to one week - and, for some campaigns, to a day.

## Integrated

There is not a single magical analytics solution you can plug in so you can send real-time, personalized offers. **Analytics must be a cohesive component within an intelligent ecosystem.** Integration is key. So, instead of choosing a standalone solution, pick a platform that incorporates the three building blocks of customer intelligence:



## Self-improvement

Closing the marketing loop is one of the toughest hurdles that organizations must overcome. In order to keep delivering relevant messages at the right time, analytics solutions must continually analyze and re-evaluate their actions so that the **system becomes smarter, more efficient and more accurate as time goes by.**

## Step-by-step

Ideally, data-driven marketing should be a step-by-step and carefully planned journey. There is quite some distance to bridge between a mass marketing approach and a full 360° view with real-time interaction. We tend to advise our own customers to **get the basics right first - like analyzing transactional and response data - and then move into the more advanced realm of Big Data** which allows them to predict behavior and personalize it in a far-reaching manner. The most advanced and granular form of customer analytics is, of course, real-time, integrated optimization. This allows you to engage in an interactive one-to-one conversation. It elevates any communication effort to a new standard that surpasses aggressive and annoying push efforts. The easiest and smoothest way to get there is iterative; by experimenting and testing in small projects until you get it right, and only then moving on to the next level.



# 4

How customer intelligence supports retailers in having a 360° customer view

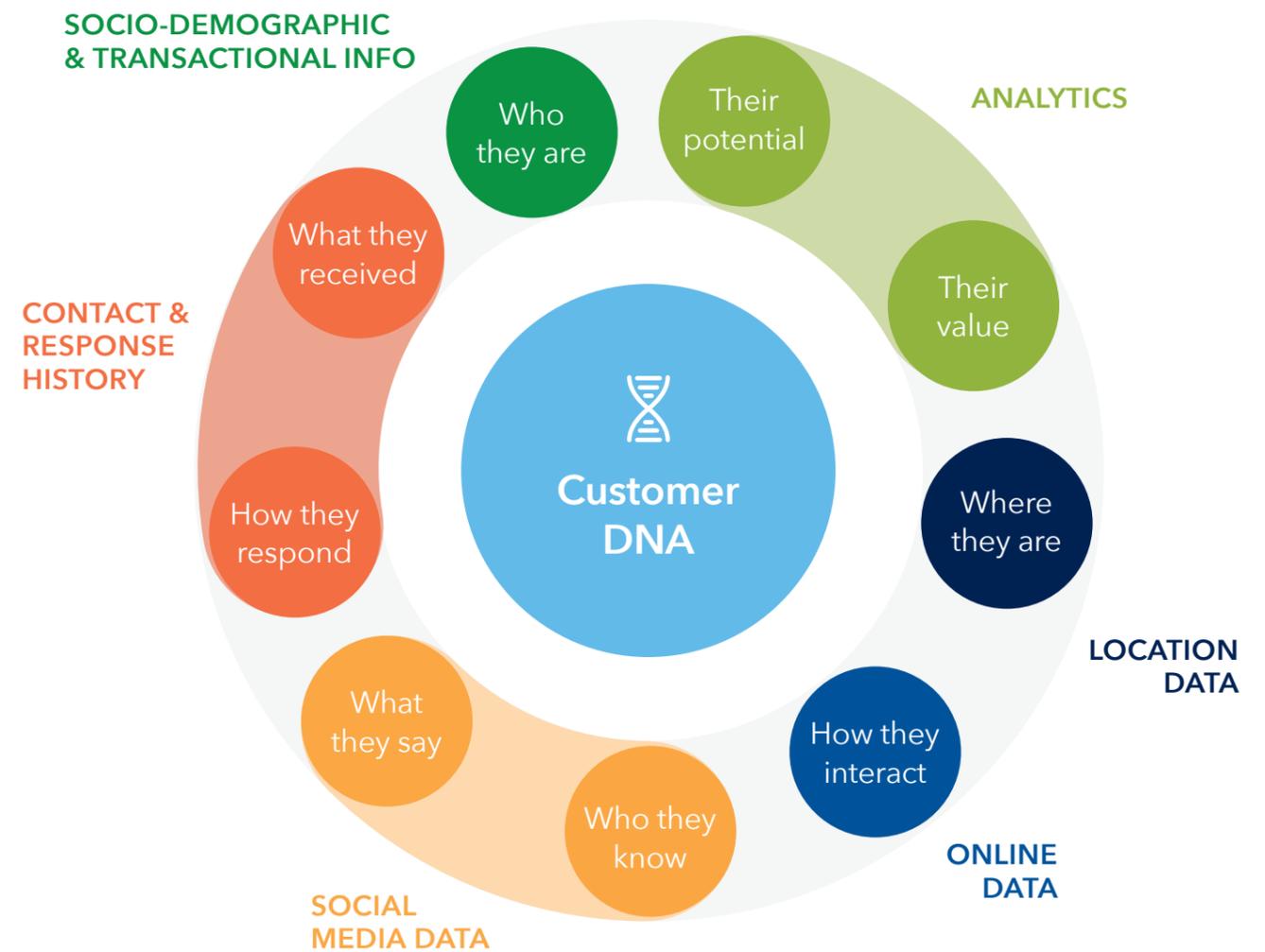
Today, targeted offers and retail promotions are largely the result of batch processes and not the result of items in today's shopping cart or items just purchased. **Real-time analysis of consumer behavior across all channels helps connect the dots in the omnichannel landscape.**

While retailers may have a historical view of customer buying patterns, they often lack analytical insight into the behavior that drives them. Analytics systems are already used by high-end retailers to store details on the preferences and purchases of particularly good customers. **Thus far, however, the systems are used only to record information about customers, and there is little analytical or predictive activity involved.** Customer intelligence can be used to analyze past purchases and recommend future products, or to recommend marketing and sales approaches that are likely to be successful with a customer.

Customers are tired of obtrusive push notifications, based on general customer segmentation, minimal tailoring and a mostly outbound approach. Although a broad brush approach can have some effect if it is executed well, over-contacting customers with irrelevant information tends to increase marketing fatigue. Therefore, retailers must become smarter. There's a big difference in acceptance between a random offer versus offering the customer promotions on backpacking material when you know he's going to take an adventurous trip. Here, **the key message is creating value for the customer based on deep analytical insight.** Another specific example are location-based apps that sort products on a digital shopping list on the basis of store layout. Only 10% of consumers currently agree to share location-based data; however, adding value for customers significantly increases their willingness to share such data<sup>1</sup>.

<sup>1</sup>Why marketing professionals should use analytics (SAS Forum Get Inspired)

The more data is analyzed, the deeper the insight into customer DNA:



Basically, maturity in customer analytics and thus what you can achieve with it, moves from hindsight to insight until it grows into actual foresight.

# Three stages in customer analytics maturity



HINDSIGHT



## Customer Information Integration

What happened?



## Customer Knowledge

Why did it happen?

INSIGHT



## Intelligent Customer Decisions

What happens next?



## Optimization

What's the best planned action to take?

FORESIGHT



## Real Time Integrated Optimization

What's the best action in real time?



## Democratizing Analytics

How do we make it more approachable?

A true data-driven customer approach offers retailers numerous advantages, too many to sum up individually. However, here are some of the most striking and useful ones.

## Loyal customers

Customer intelligence helps to **develop close relationships with customers based on a deep understanding of their behavior and needs**. The advent of Big Data and related in-memory technologies did open a lot of doors to deeper customer understanding. Nowadays, retailers can rely on a wide range of data, from traditional in-store gathered data to mobile, social, online and sensor data. Mobile data, for example, can give retailers more information about the customer's location, social data gives them a glimpse into the customer's emotional world, online data tells them something about their buying habits and sensors can tell them something about their actual behavior: which customers are currently in the store? The challenge is to get the right insights and utilize that information effectively.

With analytics, it's now possible to follow customers during their complete journey. It also allows retailers to redefine customer loyalty. **Loyalty should go further than merely collecting loyalty points on a customer card**. Instead, retailers should interact at every touchpoint on the customer's journey with the right message. Only then will the customer feel fully understood and be willing to continue his journey with your brand. That's a huge challenge for retailers, and this is where data and analytics are really paying off.

## Relevant promotions

Because customers are most likely to respond to offers and promotions that are relevant to their needs and consistent with their past behavior, offering relevant promotions is very important. In the past, offers were customized primarily based on psycho-demographic segments or clusters based on syndicated data. While this still works to a certain degree, more recently, **sophisticated retailers have largely focused on actual customer behavior as a predictor of future buying behavior**, and have used internal behavioral data to target offers. Regardless of the source and type of data, targeting is much more successful with the identification of unique customers at the individual or household level. Therefore, many retailers have established loyalty programs to identify customers, or use proprietary credit cards to do so. But before he releases personal data, the **customer expects to receive value**. And value and relevant offering go hand in hand. The American retailer Kroger, for example, receives customer data weekly from the customer science company dunnhumby, while Kroger does more customized direct mailings to customers based on their prior shopping patterns. Most retailers only do blanket promotions. The promotions in the Kroger mailings have a 40% redemption rate and coupons on the bottom of register receipts have a 20% redemption rate, compared to the industry average of less than 2%.

Retailers must follow their customers throughout the entire customer journey and interact appropriately. For example, it makes no sense to offer an early-twenties-without-children promotion for diapers. It will only annoy them. **The customer experience is genuinely invigorated by conveying the right message to the right customer through the right channel** at the right time. And, to be able to do this, analytics is key.

## Pricing optimization

Retailers are faced with informed customers who know prices across channels and merchandise. Frequently, they even view stores as showrooms. Retailers, such as MediaMarkt, suffer the disadvantages of this practice, when customers come to a brick & mortar store to test devices and subsequently compare prices online while still being in the store. By using iBeacons or other sensor data, retailers can identify these customers.

**Customer intelligence also helps determine the exact price that customers are willing to pay at any given time.** Online customers using sliders for price indication, for example, can be a great source of information. But good analytical solutions always combine several data sources – historical and transactional data, real-time information and external information – and use decision logic to determine the best offer. The best offer for the customer, but also for the retailers themselves. For instance, more and more retailers are using additional credit information to enrich their customized price offers. If a customer wants to buy a TV for €2000 on credit, and he is a loyal customer with a good payment history, a retailer can decide to offer a zero-interest rate. If it is clear from data analysis that the customer has payment problems, it may be more optimal to offer him a €1000 TV at an interest rate of 3%.

Many retailers still struggle to make informed decisions about pricing, taking into account all relevant factors. This lack of insight eats into their margins. **By using analytics, retailers can improve their pricing decisions and achieve greater profitability.** In an industry with high price competition, this can make the difference.

## Demand forecasting

Retailers who thoroughly know their customers can better predict market demand and indeed even influence it. Now, take for example cart abandonment, one of the retail industry's biggest pain points. An average of 69% of online shoppers abandon their transaction at check-out<sup>2</sup>. Retailers can use analytics to see what was in the shopping cart and start remarketing new offers – with similar products or attractive promotions – to avoid lost sales and optimize sales revenue.

**In contrast to other industries like banking or telco, retailers must deal with escalating logistic costs.** Actually, some pure e-commerce players, like Zalando, are more a logistics company than a classical retailer. A good estimate of demand, based on customer intelligence, allows retailers to balance their inventory with demand so there're never out of stock or find themselves carrying excess inventory.

## Omnichannel

Retailers need a 360° customer view that transcends the different channels. **However, the structures, processes and systems which are currently in place in many companies are not able to deal with the omnichannel phenomenon.** Valuable information is either lost or not fully exploited, primarily due to the absence of central data management and control. As a result, decision-making becomes more tedious, inflexible and economically deficient. For instance, if a customer complains about a bad customer experience via both email and Facebook, he should only receive one compensation voucher

<sup>2</sup>Cart management: How to encourage your customer to complete their order, Landmark Global, January 2016

rather than two, but many companies currently lack cross-channel alignment. And who has not seen the same brand item at different promotional prices in the store and online? To overcome this, thus preventing frustrated customers and loss of margin, **it is vital that retailers have a more broadly integrated marketing suite to address online and offline marketing in real-time.**

A fine-tuned omnichannel approach is key for a good customer experience. The fact that the **role of chief omnichannel officer** is gaining in popularity shows that retailers are becoming increasingly aware of the importance of a omnichannel strategy.

## Marketing optimization

If marketing has one goal, it is to reach consumers at the moments that most influence their purchasing decisions. Marketers have always sought those touchpoints. However, **in recent years, the customer journey has evolved from being linear and quite easily predictable to a non-linear roadmap.** Consumers are moving out of the marketing funnel by changing the way they research and buy products. This means that marketers must interact with their customers differently. Instead of pushing prefabricated marketing messages to consumers, they must place the customer at the center of communication and interact with them at the moments they want and the way they like.

**Two key elements of huge importance in the customer journey are consistency and the delivery of contextual offers.** To be able to deliver consistent offers to the customer, silos must be broken down—in the broad sense, data silos; but process silos, too. Because this is such a critical element in the entire evolution to a 360° view of the

customer, we dedicate a separate paragraph to this topic further on. Additionally, capturing all relevant information in real-time as well as real-time analysis possibilities and decision logic are vital when it comes to dealing with the omnipresent customer. The combination of contextual and real-time information is a powerful one. To be more concrete: if an online consumer is searching for a camera, but from the contextual information it appears that he's going on vacation tomorrow, it makes no sense to give him a remarketing offer two days later. The retailer must act immediately. On the other hand, sometimes giving him an offer two hours later may be just right, or maybe the customer information received is not so relevant for immediate interaction, so that sending him a newsletter in two weeks is better. There are so much factors to take into account that, here, customer intelligence delivers incalculable added value.

Analytics also supports marketers in finding the right balance between customer service and marketing. By **mixing customer service communication with smarter marketing messages**, for instance. Moreover, customer intelligence is a good solution for determining the best use of marketing investments. Over the years – as the number of channels has increased – it has become ever more difficult to attribute results to budgets. Customer intelligence makes it possible to understand and manage all touchpoints, allowing good insight into the impact of the budget spent during the customer's journey.



# 5

How retailers worldwide use SAS customer analytics to put the customer first

What if all households were to receive promotional coupons that closely matched what they actually wanted to buy? That would be no mean feat for [Belgium grocer Colruyt](#), especially considering that they...

- operate 217 stores
- send promotional coupons to 1.6 million loyalty-card holders every other week
- carry around 11,000 products per store, 400 of which are on promotion every two weeks.

Improved customer segmentation delivered only a partial solution. The company wanted to **transition to individual-based marketing**.

Thanks to SAS® Enterprise Miner™, Colruyt now calculates purchasing probabilities based on past customer behavior combined with household and demographic information. Of the 400 products on promotion, each household now receives four pages of coupons (rather than 32 pages as previously), specifically tailored to that household's predicted wants and needs.

As a result the retailer not only saves 665 million pages of paper a year, but also a larger percentage of households now use the promotional coupons - generating a bigger average spend in store - plus customer loyalty has increased.

Another loyal SAS customer, [Norwegian grocery wholesaling group NorgesGruppen](#), set itself the aim of giving customers more of what they want by making shopping both easier and faster. This vision, which the retailer named "Big sister is here to help you", finds its way to customers through a wide variety of in-store and online activities.

By using the data from 1.9 billion purchases per year, the company now fully tailors its offering to its customers. Products inside the stores are positioned and displayed according to how customers shop, and the "Min Meny" app - which was downloaded over half a million times over the past twelve months - is both an intelligent, personalized shopping list and a source of discounts, with coupons customized based on what the user intends to buy. At NorgesGruppen, **mass communication has been replaced by mass personalization**.

**Understanding why customers abandon shopping carts** has resulted in a \$10 million sales increase for [Lotte.com](#), the leading Korean internet shopping mall. To achieve this, they developed and integrated a web traffic analysis system using [SAS® Customer Intelligence](#). As a result, Lotte.com has been able to improve the online experience for its customers and generate better returns from its marketing campaigns. Besides that, Lotte.com executives can confirm results anywhere, anytime, as well as make immediate changes.



# 6

The Customer Decision Hub – your integrated ecosystem of customer intelligence

The Customer Decision Hub helps retail organizations obtain a 360° view of the customer and automate an essential part of their decision-making process. This hub is conceived as a holistic, fully integrated end-to-end customer intelligence engine. Its aim is to collect every layer of customer, sales and marketing-related information - all the data from all the different departments, databases and channels - into one highly intelligent, fast and interlinked ecosystem.

The hub centralizes all the different customer analytics tools - listening to social media, real-time recommendations, trend forecasting, web mining, customer segmentation, credit scoring, customer lifetime value analysis, predictive modelling and any of the solutions that you choose - on top of which, a user-friendly interface is placed. The latter allows business users to gain a high level of self-service and speed of response.

**The Customer Decision Hub consists of four major building blocks** that allow you to plan, analyze, engage and measure the customer journey and experiences more effectively:



**The `Actions' part** consists of all the marketing and customer communications that are implemented and the customer engagement activities that are tracked to create the most compelling content. An example could be creating a data snack to be offered to a customer when his data limit is reached.

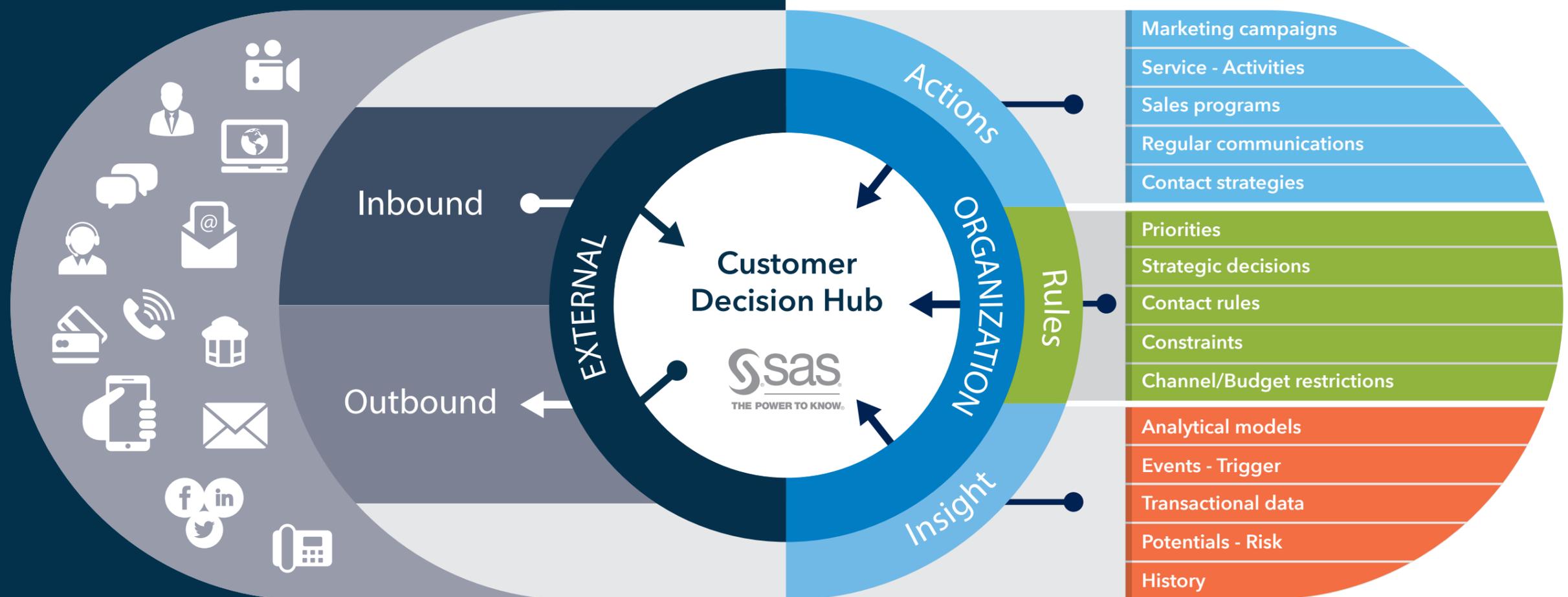
**The `Rules' component** is a central repository that defines and manages all policies and constraints across all customer interactions, across all channels. These **rules are there to ensure that you will only pick the right actions that are described above**. Examples are contact rules about how often a company can get in touch with a customer: how many text messages or emails per week? And those could be linked to the budget: how many outbound calls can be handled financially? Or it could be eligibility rules: certain offers can, for instance, only be proposed to a customer who is over 18 years of age.

**The `Insights' segment**, for its part, includes past data (such as contact history and response behavior), real-time contextual information (how and where is the customer engaging with you at this very moment) and predictive analytics to help you understand what the customer is likely to do in the future. Based on all of this hindsight, insight and foresight - such as how price sensitive the customer is, or which marketing channels he prefers - the hub can identify which campaigns are the right ones for which customer at what time.

Finally, the **channel-independent `Decision' logic** in the Customer Decision Hub **contributes to the marketing ROI** (Return on Investment). The combination of value-based marketing, central administration and orchestration, and ease of use for business users will eventually lead to higher sales.

The Customer Decision Hub can adapt your marketing and customer decision-making perfectly to today's fast-flowing market environment. It can help you understand your customers through and through, so you make the best campaign decisions for them and for your commercial strategy. It can enable you to give customers what they need at the time they need it, through the best channel. It can allow you to achieve greater value because, at the end of the day, that is what businesses need to do.

# The Customer Decision Hub: a highly intelligent and interlinked ecosystem



## Learn more about the concept of the Customer Decision Hub.

[Read here](#)

[Watch here](#)

Find out more about SAS Customer Intelligence at [www.sas.com/customerintelligence](http://www.sas.com/customerintelligence) and on [our dedicated blog platform](#).

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