Effective communication with customers promotes Magazine Luiza

October / 2015

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This IDC study shows how a major Brazilian retailer - with more than 740 stores in the country - improved communication with its customers using Oracle solutions, eliminating limitations without losing business value and intelligence.

It also describes the decision-making process and adoption of solutions, including the technology feature, and how the company’s culture was aligned to the innovation process. The following pages present IDC findings resulting from in-depth interview with the CRM and Marketing Manager, who is in the company for nearly 15 years and has been focused in e-commerce in the last 3 years.

IDC OPINION

In Brazil, e-commerce revenue reached approximately R$ 35.8 billion in 2014, which represents about 17% increase over the previous year, according to e-Bit vision. It is estimated that there are 61.6 million e-commerce consumers in Brazil who have shopped online at least once; and this number tends to grow, considering that a great variety of goods and services is offered through this channel.

Given these significant numbers and the overwhelming amount of consumers, relationship with customers must be strengthened in every aspect by means of assertive, relevant and targeted communication. Appropriate on-time communication differentiates business and leads it to a competitive position in the market.

ABOUT MAGAZINE LUIZA

Magazine Luiza was founded in Franca (State of São Paulo) on November 16, 1957, when Pelegrino José Donato and Luiza Trajano Donato bought a small gift shop, then called "A Cristaleira". The name Magazine Luiza originated after a radio contest held with their customers.

Today, with more than 740 stores, 9 distribution centers and 3 offices, spread over 16 Brazilian states, the company is one of the largest retailers in the country, offering home products for the family, in a anywhere-anyway format, and through multichannel, such as physical stores, web stores, telemarketing, e-commerce and Social Medias ("Magazine You").

The company’s main products are in furniture, household appliances, electronics, gifts, toys, hobby and entertainment, computing and telecom. The site offers a wider mix in comparison with physical
stores, with about 44 thousands products. In August 2013, with acquisition of “Campos Floridos” - owner of the site “Época Cosméticos” -, Magazine Luiza is now offering beauty products to its customers.

Even after 13 acquisitions, Magazine Luiza has never left aside the special way of treating its customers and employees.

**BUSINESS AND TECHNOLOGY CHALLENGES**

Competition among e-commerce players has become increasingly fierce. Customers have been searching not only good offers, but also relevant content, as well as positive product buying and using experience. Moreover, loyalty with their favorite stores was improved, which occurs not only when customer is actively looking for a product or service, but also when he is somehow stimulated - such as an email or a SMS message - by interesting information.

Magazine Luiza has long identified this opportunity for customer engagement so that, in 2008, the company began a journey to establish a more effective and targeted e-mail communication.

However, this was a challenging issue which widely involved the company. From LOB perspective, it was necessary to understand and introduce best practices in order to increase email marketing conversion rates, to enable a more fluid communication, and to increase customers’ engagement. From IT view, it was important to have a scalable and reliable tool to enable effective communication, and to ensure integration with data sources and proprietary solutions without prejudice to information security and availability.

In this sense, Magazine Luiza looked for a company that brought an e-mail management platform. However, as the issue grew in volume and relevance, it lacked agility to meet business needs, while limitations became increasingly critical. In 2013, regulations and rules adjustments for internet providers had a significant negative impact over almost 4 million e-mail messages that were sent every day, in addition to internal limitations in creation and customization of e-mail pieces. It was necessary to review the format in order to have a more agile and intelligent process.

Early in 2014, even after the development of a proprietary tool which automated creation of most e-mail pieces, there still were challenges, such as:

- Improving flexibility and creation of relationship management rules, which are issues that define audience, timing and frequency for each type of email to be delivered;
- Measuring in detail the result of each e-mail marketing campaign, to understand which process worked well and which did not deliver the expected outcome;
- Allowing a better integration with internal systems, especially those in charge of analytical intelligence for product recommendation.

On the occasion, in order to improve e-mail customization, it was fundamental to search for a new vendor. So, Magazine Luiza decided to go after a more robust and flexible solution, as well as a partner to help on this journey. Also, the company required support to understand the retail industry’s best practices, such as how to provide the best recommendations and which reports should be produced and followed-up in order to understand results.

It was a hard and well-grounded search, which included several questions for potential vendors. The key features were:

- Ease and flexibility for defining relationship management rules;
Availability of advanced features such as A/B testing, customization and personalization of messages, complete campaign management, among others;

Email sending intelligence support and message deliverability criteria;

Consultancy for the adoption of email marketing best practices.

After 4 months of negotiations and discussions with several vendors, the company chose PMWeb - to lead the project - and Oracle Responsys solution, to run from Oracle Cloud Marketing.

IMPLEMENTED SOLUTION

Oracle Responsys is a cross channel solution that provides, among other features, e-mail marketing capabilities and allows interface among multiple marketing channels - such as mobile or web - enabling a comprehensive view.

Once Oracle Responsys and PMWeb (Oracle partner that would run the project with Magazine Luiza) were chosen, planning and organization were the following important steps to guarantee a fast and safe execution. Definition of an objective schedule as well as roles and responsibilities of both parties turned the whole project into a more clear and traceable one.

Transition to Oracle Marketing Cloud platform took 5 months. At first, welcome and happy birthday e-mails were migrated, the latter representing one of the most important communication with customers. The idea was to "warm up" the platform and activate the new processes (integrations, streams, etc.). As usual, adjustments were necessary but they were rapidly identified and implemented.

After two months of operation, Magazine Luiza started to accelerate customization and enhancement of customers' filters. "Migration to Oracle Responsys was easier than expected," said Gustavo Nobile, Magazine Luiza CRM and Marketing Manager. "A learning curve occurred, but we could count on good training and support that minimized eventual impacts," he noted.

As the team got adjusted to the new tool, new steps were taken. A/B tests started to be applied, which, in fact, represents a key feature to Magazine Luiza and was considered while choosing the vendor. This feature highlighted actions that generated effective outcomes, enabling real-time decision making processes.

OVERALL BENEFITS

One of Magazine Luiza’s highlights was the short-term in which project results positively impacted business. In addition to immediate and improved visibility of all current campaigns - measured through e-mail delivery and opening rates -, other performance indicators gradually improved.

Increased e-mail opening rates were rapidly perceived, i.e., tripling the number of customers who opened e-mails, representing a 5pp increase on performance compared to the previous tool. After 3 months of operation, conversion rates nearly doubled; nowadays, opening rates as well as e-mail double clicks are two times higher, while the average purchase value grew.

Other benefits delivered by the adoption of Oracle Responsys were platform flexibility and easy integration with other solutions and systems. Moreover, it was possible to take other types of e-mail communication to the new tool, like abandoned shopping cart note and interesting topics note - which were formerly sent without any delivery or opening rates control and are now totally measured. Additionally, integration with the proprietary recommendations system (known as "Bob") enabled offering of personalized and relevant content with control and traceability.
Through defined and adjusted processes, it was possible to proceed with the relevant task of bringing back customers that had been lost, rescuing an important part of their base.

**FUTURE OUTLOOK**

Oracle Responsys drove Magazine Luiza to a great range of possibilities and generated a quite promising roadmap in this issue. According to Gustavo Nobile, “the idea is to gradually reduce the massive access to the customer base and increase offers and personalized content”. This means development of other relationship rules and increased control over e-mailing frequency.

Another important initiative that should be accelerated is sales follow-up e-mails, bringing more information about purchased products and special videos to the customer. This is one of the main competitive advantages of Magazine Luiza, as it adds important value to type of communication.

Other initiatives are also on the way, such as the implementation of relationship rules for SMS communication and integration of customers from physical stores, highlighting the Omni-channel concept in the core of business.

**ESSENTIAL GUIDANCE**

The Brazilian e-commerce sector has shown its great potential, presenting interesting growth rates in the last years. No wonder an increasing number of players has emerged in this segment, offering not only products and services, but also innovation and dynamism in the way they lead business and attract their customers.

In this competitive environment, establishing effective communication with customers becomes a very important competitive advantage. Magazine Luiza is an active player in this segment and, by choosing an Oracle solution, shows awareness to market and to solutions that can deliver best outcomes.

According to IDC, appropriate communication with relevant content and at the right frequency is key to ensure the company a good position among their customers’ preferences.
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