



# RETAILERS GET PERSONAL: IMPROVING THE CUSTOMER EXPERIENCE

Analytics improve how  
people shop both on- and offline

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A pharmacy retailer in the United States prints out such lengthy sales coupons, they have become legendary among Twitter jokesters: “Fun fact: the average receipt, laid flat, is longer than all but five U.S. interstate freeways.” But the retailer is having the last laugh: The receipts, which are chock-full of customized coupons based on a customer’s buying behavior, are a nine-figure profit center.

Retail customers understand—and know how to use—the power of data. Customers search and browse online for ratings and pricing before they go to a store or buy online. They go to social media sites to gather and share information. They are willing to provide retailers with lots of information about themselves—as long as the retailers pay them back by using that data to provide personalized service and unique pricing, automatic discounts, free returns or pre-sales based on their loyalty/purchase history.

“There are lots of opportunities for retailers to acquire customer information in exchange for something of value,” says Tom Davenport, a professor of information technology and management at Babson College and renowned analytics thought leader. The pharmacy retailer, for example, provides coupons that can give customers up to four or five dollars off some purchases.

### **BETTER PERSONALIZATION**

Retailers also understand the danger of not using data effectively. They perceive above-average potential losses, compared with other industries, if they don’t fully leverage information, according to a new survey conducted by Oracle in partnership with WSJ. Custom Studios and IPSOS North America Market Research.

Retailers know their challenge isn’t just gathering more data, but optimizing the use of the data they currently have for improving everything from supply chain management to the customer experience.

Big data and analytics enable retailers to hone in on specific details that can mean the difference between success and failure in marketing campaigns. In general, surveys show that customers get weary of receiving too many offers that have no relevance to them. However, the most loyal customers *want* to get regular deals and promotions—if the offers are designed for their unique tastes and the stores they like to shop in.

“Personalization used to be the customer saying he wanted a product in blue rather than another color,” says Steve Jones, global vice president of big data at Capgemini, a technology consultancy. “Now personalization is about the retailer choosing a product for the consumer and delighting him with an offer for something he didn’t know he wanted until he saw it. The change is about personalizing for each individual rather than placing customers into one of 16 buckets of customer types who all get the same offer,” he says.

### **ANTICIPATING CUSTOMERS’ WANTS**

Forecasting has long been a dark art in retailing. Now retailers are using analytics—and new kinds of data—to better anticipate the products that customers will want to purchase. One retailer in the United Kingdom uses analytics to perform daily forecasting for each stock item in each store, taking into account how things like holidays and promotions might shape demand. This helps eliminate “stockouts” and ensure the products the customers want are there when they come into the store.

“Stockouts are an expensive phenomenon,” Babson professor Davenport says. “Shoppers could go into a store and if the item they want isn’t there, they might never come back.”

## **This savvy use of predictive analytics “has the potential to restore a level playing field between online retailers and brick-and-mortar retailers.”**

Better use of data is key to pacifying ever more finicky customers and addressing the retail industry’s most pressing challenges, like “omnichannel shopping.” This refers to customers using more than one channel to buy goods, such as purchasing an item online then picking it up in a brick-and-mortar store.

These complex, omnichannel shopping models are driving retailers to embrace more scalable and robust analytics and IT platforms that can capture web activity logs and transactional records in stores. Responding to customers who are both mobile and social in real time is no small challenge.

The problem is how to identify customers across all these channels and collect their behavior in a consolidated way. From a data-management perspective, it’s often difficult for retailers to determine that the person who comes into one store, calls a contact center, goes to a website and walks by another store while carrying a mobile device is the same person.

However, Davenport notes that those retailers who do omnichannel well have the highest levels of upsell and cross-sell because they understand their customers better than their competitors do. These companies are using location-based services to delight patrons, such as employing GPS-integrated tracking to detect that a customer is in close proximity to a store or in a certain location within a store, then sending him or her a text message and images notifying him or her of a special deal.

### **LEVELING THE PLAYING FIELD**

Online retailers, of course, have had an advantage in gathering data because every mouse click gives them insight into a customer’s habits and tastes. This “digital footprint” can provide lots of sales opportunities. One large U.S. retailer,

for example, recommends products on social-media sites based on the hobbies and interests of a customer’s friends.

Now, new types of data are helping brick-and-mortar retailers understand the “microbehavior” of customers, just like their online counterparts can. For example, a German retailer conducted a pilot program that tracked the apparel items customers took into a dressing room, using the electronic tag on each item. The system recommended complementary items—say a tie that matched a shirt a customer was trying on. Online retailers have done this for years using “recommendation engines” that suggest, for example, that a person who buys a certain book might like other books.

This savvy use of predictive analytics “has the potential to restore a level playing field between online retailers and brick-and-mortar retailers,” Davenport says. Next-best offers also have the potential to please customers and provide them with a better experience: a winning strategy in an increasingly competitive and demanding marketplace.

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