

# Changing the Retail Paradigm

Leveraging Data, Insight, and Omnichannel Actions to Increase Customer Lifetime Value



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# The Buyer Takes Control

In many respects, retailers are being outpaced by savvy consumers who are tapping information sources and capitalizing on market inefficiencies in their pursuit of frictionless, value-optimizing transactions. Often leveraging social media platforms, consumers are assembling their own buying contexts that suit their unique needs and preferences, such as connecting directly to product manufacturers through connected devices.

In the old days, retailers were in control of the buying process journey. How times have changed. Today, the tables have turned and the consumer is in charge, dictating the terms of the buying journey – in other words, how, when, where, why they want to be engaged.

Today's buying journeys are radically different, with different on-ramps, off-ramps, and time-frames. Some buyers are self-directed in the buyer journey while others want to be guided through the entire journey and may rely on a number of sources of information over a time period. Retailers are having to change their engagement approach to one that is hyper-personalized and integrated across all channels and enterprise touchpoints as well as in context and cadence with where the consumer is in the buyer journey. With advances in personalized marketing, sales, and service, retailers are creating more value for their customers that will translate into increased revenue and lifetime value.

The following are some examples of how retailers are addressing the always connected consumer with a seamless brand experience that meets their expectations:

- At Your Service: A hotel chain has deployed an app that texts a guest with her room number as she enters the hotel, checks her in with a thumbprint scan on her smartphone, and, as she approaches her room, turns her phone into a virtual key that opens the door. The hotel's app then sends well-timed and personalized recommendations for entertainment and dining.
- Interactive Shopping Experience: A luxury clothing designer has installed interactive
  screens to help customers in stores. In the fitting room, shoppers can tap the mirrors
  to activate product screens that recognize the RFID-tagged clothing in the room. As
  shoppers try on the clothing, the mirror displays suggested items that complement the
  clothing. If the customer is unsure, she can save her fitting room session to an app and
  purchase the item later at the store or online.
- Beauty by Demand: A cosmetics company operates a digital store in Paris. Upon entering the store, customers pick up an NFC-enabled card that acts as a virtual shopping basket. A limited selection of products is available on the store's shelves, alongside screens with a digital catalogue of more than 14,000 products. If an item is not in stock, customers can add it to their digital baskets with the card. Shoppers can also find more information on a reader about products that are equipped with NFC tags, and add the item to the virtual basket. Both physical and digital purchases are paid for at the checkout counter in the boutique. And customers can have online items delivered to their homes or pick them up at the store.

These companies, and many others like them, demonstrate that engaging with customers in new ways across channels and devices leads to innovative experiences. Most companies, however, are still in the early stages of evolving their engagement strategies. Consequently, as consumer expectations continue to grow in 2017, the strategies and technologies that enable seamless and relevant omnichannel experiences will prove to be even more pivotal for business development.

50 percent of customer interactions happen during a multi-channel, multi-event journey.

McKinsey Global Institute

# Minding the Execution Gap Challenge

For the retailer, this new world of commerce means new pressures to adapt to different buying preferences, history, desires, timings, and channels. More than 60 percent of consumers are always-connected, addressable, and open to information and offers. But are retailers prepared to effectively engage these consumers today?

A failure to adapt to this new reality could be fatal to the retailer's business model. *Digital transformation* – the era of the omnipresent, omnichannel consumer – is here. It's a major paradigm shift for retailers who are struggling to respond to relentlessly rising consumer expectations. Advancements in consumer technology and heightened competition from existing and new direct-to-consumer models are leading retailers to reevaluate their customer-engagement strategies and rethink where they should invest budget and resources.

In these transformed markets, as the "noise volume" continues to increase within all consumer channels, the new currency with consumers becomes relevance. To secure the buyer's interest, trust, and confidence, the retailer must communicate to each buyer as "a segment of one" with timely information, in the right cadence and format.

Relevance, timeliness, and cadence are achieved by understanding the consumer's motivations and preferences after analyzing a massive (and growing) volume of data. The difference between winners and losers in this context is based on how much, or how little, they understand their customers.

What often gets overlooked here, however, is that physical stores still play a vital role, because the future belongs to retailers that master an omnichannel strategy. Online sales and digital initiatives are key to bringing traffic to stores. For instance, many click-and-mortar retailers are adopting same-day in-store pickups for web- and phone-initiated transactions or free ship-to-store fulfillment to drive foot traffic and potentially increase revenue through impulse purchases and cross-sell offers delivered to the buyer's phone.

#### **Engaging The Omnipresent Consumer Through Data, Insight, and Orchestration**

The omnipresent consumer doesn't want to be confined by yesterday's outdated, vendor-controlled definitions. Instead, they are always on, always connected, always ready to be engaged – but only on their terms. For the retailer, that requires a single, unified view across channels, devices, and media. Can retailers meet that expectation?

The answer starts with data - all the relevant data, whether it's from your marketing engagement systems, eCommerce or POS transaction systems, second-party data, or even third-party sources such as scores or demographic profiles. The data might be in a structured, semi-structured, or unstructured format.

Aggregating that together into a highly precise, holistic view is a challenge because the reality is that data *quality* decays over time because it changes so frequently. People change addresses, names, relationships, phone numbers, and email addresses or are represented with different identities across multiple customer engagement and transaction systems.

How can retailers achieve the right levels of precision and perform advanced analytics to create current, accurate, and complete views of each customer? It requires a breakthrough approach to rise above legacy data fragmentation issues caused by siloed channels, business functions, and product lines. That improves revenue, reduces customer-acquisition costs, increases the performance of upsell/cross-sell conversions and retention/loyalty programs.

Personalized, data-driven disruptive marketing will become the norm. There is a difference between data-driven disruptive marketing and interruptive marketing. While the former is relationship oriented, whereby content acts as a currency to build trust, the latter is nothing but old-school push messaging in a shiny new digital wrapper.

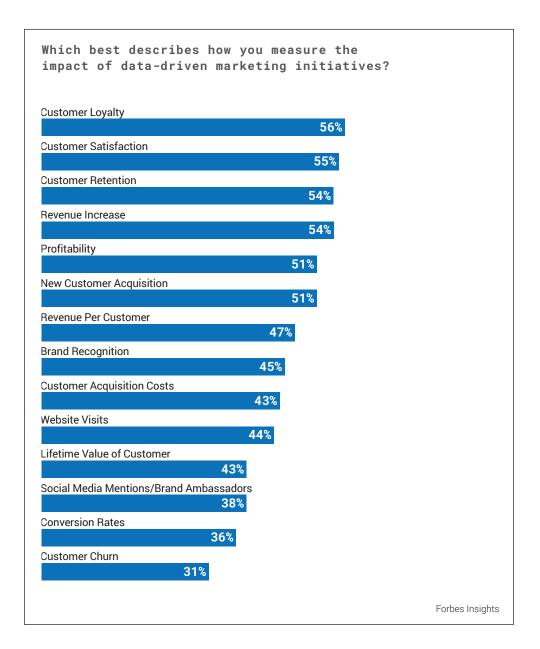
10 Disruptive Marketing Trends All Marketers Should Consider, Chief Marketer 2-2-2017 http://www.chiefmarketer.com/10-disruptive-marketing-trends-all-marketers-should-consider/

Organizations that put data at the center of their marketing decisions achieved a 10 percent sales lift from personalization and a 15-30 percent cost reduction by applying data analytics.

McKinsey

Clean, accurate, and complete data enables retailers to orchestrate data-driven interactions that gain and retain new customers, exploit new revenue opportunities, and increase the average order value and customer lifetime value. It enables retailers to execute enhanced, highly personalized marketing campaigns to acquire new customers, customize offers for new products, and deliver highly personalized engagements that customers increasingly demand – all with faster turnarounds and lower costs.

Unfortunately, as almost any retailer can attest, poor data quality across customer acquisition, cross-sell/upsell, and retention campaigns is a significant problem that translates into lost share-of-wallet and revenue. To achieve the *full* value of a customer relationship, the retailer must link all of that individual's identities across all internal and external systems and resolve the identities to deliver more relevant customer experience. That requires an aggregate view of the most current sources of customer data coupled with advanced analytics to hyper-segment offers and messages.



94 percent of survey participants said that presenting an omnichannel approach is either important or critical to reaching their business goals.

CMO Council, Omnichannel's *Missing Link*, November 2016

# Machine Learning is the Key to Intelligent Engagement

Traditionally, segmentation – grouping "birds of a feather" into a few distinct clusters – has been the preferred strategy for marketers seeking a level of personalization in their communications and offers. But the pursuit of the "segment of one" – with far greater degrees of customization – means retailers must achieve a level of "analytic intensity" by crunching vast volumes of data faster than ever. In this world, there's no time for marketers to step in and assess – the customer expectations are too great.

Instead, the savvy retailer must apply *machine learning* – "lights-out" analysis – to make instantaneous judgments about prices, next-best offers, and cross-selling/upselling recommendations based on *that* customer at *that* time. Machine Learning (artificial intelligence) is the use of computer-based algorithms that learn from the data. It encompasses systems that:

- Learn input-output relationships (such as predicting results based on past experience)
- Discover internal, often hidden, relationships in the data that can automatically generate market segments
- Optimize processes so that they perform better based on prior experience

Humans do these things very well, but computers do them much faster and across much larger data sets and can scale more easily as the retailing business grows. Since the world

isn't a static place, all machine learning systems need to be updated on a regular basis to be successful. They need to be optimized for performance, and re-trained/re-optimized when new data is available. Learn once, set-and-forget systems are no different than hard-coded rules, and quickly become obsolete. The analogy in the natural world is adapt or die — this applies to the marketing world too.

A retailer that uses machine learning can quickly respond to competitor moves. For instance, an airline might find that its most loyal frequent fliers are not accepting current offers/prices because a competitor has slashed its prices without notice. The system can select from dozens of competitive responses – lower prices, upgrades, additional points – and determine who responds most strongly to each offer. That requires re-segmenting and retargeting – processes that machine learning handles instantly and accurately.



This kind of analytics needs to happen "in-line" — in real time, in the marketing engagement or transaction systems, before the customer disappears. And if that customer wanders to a different channel, the retailer must recognize him and capitalize on the opportunity to present that new offer. Unfortunately, most retailers don't have leading indicators until something goes awry. They only learn *post-facto* that an email subject line, a creative message, or an offer isn't drawing responses. A meeting three days from now to discuss pricing changes won't win this customer today. Conversely, machine learning gets smarter in real time by analyzing the transaction stream and adjusting offers while the campaign is in-flight.

### **Omnichannel**

In this new market setting, the spoils will go to the retailers with the ability to capture consumer attention – to confidently identify the specific consumer earlier in the engagement cycle and respond with tailored communications and offers. That customer/prospect intimacy – the deeper understanding of the buyer's needs and preferences – has one source: broader data and deeper analytic models that automatically orchestrate points of interaction that are highly engaging and relevant.

Forrester Research estimates that web-enabled online sales are nearly 50 percent of total retail sales. That's \$1.5 *trillion* of sales either conducted online or digitally influenced as consumers connect with digital touchpoints prior to completing an in-store or telephone transaction. The fact is, consumers experience a somewhat messy hodgepodge of messages, channels, offers, prices, inventory, and delivery.

While companies are challenged to invest along several important dimensions, such as awareness and brand-building, many believe it may be more important to create a brand-enhancing *buying experience* that meets or exceeds expectations — one rooted in real-time, personalized engagements across channels that respond to each individual's needs and preferences. In fact, Gartner predicts that companies will be redirecting as much as 50 percent of their consumer product investments into customer experience innovations.

Aberdeen Group's research suggests those investments pay off in meaningful ways and reported an 89 percent customer retention rating among companies with extremely strong omnichannel customer engagement, compared to just 33 percent for companies with weak omnichannel customer engagement. IDC reports that omnichannel shoppers have a 30 percent higher lifetime value than those who shop using only one channel.

Clearly, the stakes are high as companies strive to remain in step with today's omnipresent consumers who weave across channels and hop along devices to interact with brands. Recent research by The Northridge Group confirms this channel-jumping phenomenon, finding that 55 percent of adult shoppers use two or more communications channels to contact a company or brand before an issue is resolved. Research by the E-tailing Group found that 40 percent of consumers purchase more from retailers that provide a personalized shopping experience across channels.

Despite the obvious need to provide a seamless and relevant customer experience across channels, departments, and devices, most companies haven't yet connected the dots along their customers' digital and traditional buying journeys. But as consumers explore new channels now emerging through the Internet of Things (IoT), including wearable devices and beacon technology, companies must act quickly to decode relevant and valuable ways to interact with them along their new journeys.

The challenge for marketers is to understand the where, when, and how the customer wants to engage and interact with them during their unique buying journey. These journeys can be lengthy, sometimes spanning days or weeks. And they can stretch across multiple channels and touchpoints with different on-ramps and off-ramps. And more channels mean more complexity in identifying and managing where the customer is in his decision journey because they are omnipresent across channels.

After marketers rethink the way they communicate with customers and apply the three layers of technology, they'll be well on their way to achieving true omnichannel success and providing value to customers at every touchpoint.

Retailers still haven't cracked the code on their omnichannel strategy. Compared to 2014, there's been a drop in retailers' ability to manage omnichannel execution that can meet the demands of shoppers who now expect a "seamless blend" between a retailer's physical and online store.

CEO Viewpoint 2017: *The Transformation of Retail* - PwC. See more at: https://www.emarketer.com/ Article/Global-Retailers-Still-Havent-Cracked-Code on-Their-Digital-Strategy/1015305?ecid=N-L1001#sthash.efCcmtzl.dpuf

## Six Ways to Seamless Customer Experiences

#### 1: Create the Elusive 360-Degree View of Customers

Putting customers at the center of the business is vital for true omnichannel engagement. After you integrate all customer data, consolidate customer-focused metrics, and become channel-agnostic, you're on your way to creating a 360-degree view of your customers. This unified view adds in third-party data and enables you to see purchase histories and segment your customers' behaviors and patterns – all in one place. It's the key to omnichannel success.

#### 2: Deliver Contextually Relevant Messages

In a world where personalization is rapidly becoming table stakes, customers are quick to reject interactions or messages that feel generic or don't provide immediate personal value. Implementing the steps to assemble customer data across channels and conduct real-time analyses enables an organization to see a customer during their journey so that that you can engage a customer with contextually relevant messages and campaigns.

#### 3: Orchestrate End-to-End Customer Journeys

Customer lifecycle marketing is built around the idea that brands must know where customers are located in their purchase journeys – and treat them accordingly. That's because customers at different stages of their relationships with brands must be approached and cultivated through different strategies. This requires deeper customer intelligence at every touchpoint and stage throughout the buying cycle – and beyond. To achieve seamless customer experiences, you need insights, in-depth views of customer preferences, and data-driven relevance to figure out which communication or offer will lead an individual customer to the next part of the journey. This data-centric approach ensures you have the right timing to transition leads into sales and convert existing customers into loyal enthusiasts.

#### 4: Operate at the Speed of the Customer

In-line analytics determine the next best action in real time and provide highly contextual awareness, so you can respond to customers at critical moments in their buying journeys. That means customer support agents can respond with relevance and gain precise knowledge about specific issues or inquiries. And it means marketing can provide valuable knowledge and messaging prior to a sale.

#### 5: Turn Data into Knowledge to Improve Outcomes

There's no question that contextually relevant interactions, at the moment of engagement, are the key to maximizing revenue and customer satisfaction. Real-time analytics and machine learning are capabilities that operate inline to customer engagement that enables organizations to determine who they are talking to, what they have done, what they are trying to do, and anticipates what they might need next. A next-best-action experience requires data and analytics to connect the right message, offer, and surrounding elements based on the context of an individual customer journey. But today, most analytics capabilities exist outside of the customer engagement engines that trigger and manage customer interactions. When enterprises move from understanding what has happened to customers to understanding why something happened it becomes easier to fix problems and optimize performance as they orchestrate omnichannel customer experiences.

#### 6: Get the Most from Martech

While new martech solutions can provide significant value, marketers also face challenges in evaluating and comparing dozens of different tools that support specific functions. Gaining seamless integration in their technology stacks enables marketers to easily integrate data and messaging across channels.

Companies must adapt to this shifting consumer behavior and effectively engage with consumers across multiple channels and devices. When they do, increased ROI and competitive advantage are the results. In a recent Outlook report, finance agency Fitch Ratings found that the best way for retailers to holistically serve customers (online and brick-and-mortar) is through omnichannel retailing. Most growth in retail sales in 2017 will be driven by online media, making omnichannel capabilities a crucial requirement.

#### RedPoint in Action: DIY Retailer

#### **COMPANY:**

 Global DIY retailer with strategic imperative to create a seamless omnichannel customer experience from catalog to web, call center, mobile device, and in-store.

#### GOALS:

 Eliminate silos to create a unified customer view across different data sources and engagement systems. Process data in a timely fashion to reduce lengthy batch update cycles that prevented delivery of relevant offers (such as remarketing to abandoned carts).

#### **CHALLENGES:**

- Create a 360-degree view of the customer
- Capture and analyze web data and customer behaviors in real-time to trigger automatic next-best offers, messages, and content
- Orchestrate actions across all channels and touchpoints
- Match data at individual level, while retaining account and sales information at other levels of identity resolution (e.g., household, business)

#### **REDPOINT PROVIDES:**

- Customer Engagement Hub RedPoint delivers data from multiple sources to drive in-line analytics and intelligent orchestration of activities
- Golden Record RedPoint integrated 50 data sources across the enterprise to create an enterprise-wide golden record that provides a unified customer view
- Real-Time Decisions Deployed a recommendation engine that orchestrates actions across multiple channels
- Cloud-Based Deployment Quick startup, flexibility, and performance scalability

#### THE RESULTS:

- **Speed** Operate at the speed of the customer (in real time) and make cleansed and updated customer data accessible within a five-minute window
- Reactivate Customers Tailored messages pursue win-backs for abandoned carts
- Better Customer Retention Identify most profitable customers across engagement systems
- Match Unknown to Known Identify customers and cross-device behaviors
- Reduce Consumer Fatigue Reduce costs of interaction in direct-mail channel while improving response rates

# Critical Capabilities for Deploying a Customer Engagement Hub for Retailing Success

Responding to the omnichannel opportunity for retailers, RedPoint Global has developed a sophisticated software platform to hyper-personalize the consumer experience for *each* customer, while generating a strong marketing ROI through higher revenue and lower costs.

In this era of modern commerce, the "data-to-action" cycle has compressed from one or two weeks to just a few minutes. A consumer can place an order on his phone and pick up merchandise in-store five minutes later. That requires a process and orchestrated cadence that is highly dependent on a synchronization of dozens of data sources to deliver a single, real-time view of the customer across all channels.

RedPoint provides marketers with a closed-loop solution to help them better understand who the customer is and to deliver an individualized experience based on that understanding. This platform delivers capabilities in several areas:

- Data Access RedPoint enables you to access all types of data from all of your internal systems and databases, as well as any type of external data, from anywhere, in any form. RedPoint brings it all together in one place.
- Data Quality RedPoint enables organizations to overcome their data quality challenges.
  If you have a robust existing customer database, you can use it as-is. For instance, you
  could easily trigger merchandising decisions based on real-time inventory levels, weather
  patterns, or competitive promotions simply by mapping the interaction trigger points to
  these data sources. The same holds true for external data, such as social network feeds
  or other robust information on consumer profiles, behavior, preferences, and attitudes.
- Identity Resolution Regardless of the sources, RedPoint offers strong capabilities in identity resolution. First, it can take an anonymous visitor to a known customer faster and establish a golden record that uniquely identifies who that customer is so that you can build a progressive and unified customer profile. You can also normalize customer identity across a multitude of different customer engagement and transactions systems to create a full composite view of the customer across all available data sources to better understand their unique behaviors, preferences, and purchases over time and across all interaction touchpoints.
- Analytic Insights In today's retail world, data access is only valuable if you can transform it into real-time analytical insights and actions. You want the ability to tap into "in-line analytics" that are reflected immediately in the consumer experience: a recognition and response to conditions, variables, and events that are taking place in real time. RedPoint provides the capabilities to create, deploy, and maintain analytic models based on high volumes of big data that lead to effective, individualized experiences. That could be micro-segmenting your customer base, ingesting predictive models to generate next-best offers, or optimizing models to select the right message through the right channel at the right time while dynamically varying these selections as your goals and objectives shift. By tying these into your marketing automation, CRM, and ERP platforms, you can test and learn about what generates the strongest consumer responses and overall profitability, and build on those results for even better outcomes. Our fully automated lights-out data analysis means you can automate processes for applying learning and revising your message strategy, offers, and timing. You continually achieve greater precision with fewer errors in driving your analytic models.

Do you have the data needed to truly personalize the shopper's experience?



35% We have data, it's not usable and we don't know how to use it

33% We don't have enough data

32% We have data, it's usable and we know how to use it

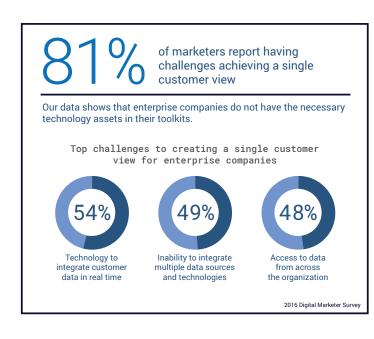
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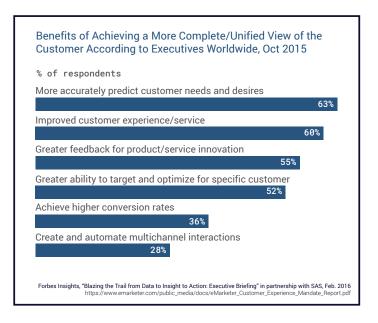
• Omnichannel Orchestration – RedPoint software carefully orchestrates inbound and outbound interactions with consumers in digital and physical realms to create the long-sought experience: seamless and simultaneous interactions across channels. We provide the canvas for marketers to set up the optimal customer engagement – whether it's through promotions and campaigns, or through multi-step customer journeys that may or may not be linear and that may have multiple points of entry and exit. Of course, this is more than a marketing challenge – it also involves service, the call center, franchisees, and other stakeholders (each with their own systems and data sources). RedPoint features hundreds of connectors and an open garden architecture approach (rather than a proprietary "walled garden") that lets you access inbound messages or deliver outbound messages and interactions with consumers – that can happen in any channel on any device. RedPoint creates value by moving from data and insights into action – in measurable ways that account for previous results to improve the consumer experience every time.

#### **Why RedPoint Matters**

For innovators – the companies that strive to be on the cutting edge by applying technology to enhance the retailing experience – the RedPoint Customer Engagement Hub™ delivers a strong marketing ROI by combining higher revenue with fewer touches and a lower total cost of ownership (TCO). Perhaps most importantly, the platform is instrumental in delivering a high-quality, continuous, and consistent consumer experience that is congruent with the brand without tiring the consumer (such as over mailing, or fatiguing customers with irrelevant messages).

RedPoint provides a unified platform to aggregate data, perform advanced analytics, and orchestrate actions across channels. It also enables a single, unified view of the customer across channels, devices, and brands while also enabling extensibility for the unique requirements of any one of those dimensions. What's more, by simplifying complex technology, RedPoint delivers uncommon speed-to-value through faster implementations and lower operational support costs.





For retailers, RedPoint provides a better alternative to the continual "rip and replace" cycle that drains funds that could be earmarked for campaign investments. RedPoint lets you extend your marketing engagement technology investments with new capabilities. RedPoint supports flexibility, speed, and scale and can be implemented in 75 percent less time/cost than competing solutions and operate with just half the resources.

RedPoint maps directly to your existing customer database, eliminating the need for separate, high-cost databases, warehouses, or marts. There's no need to retool your data. You can also take advantage of out-of-the-box integration with hundreds of CRM and marketing engagement systems, database, and other content sources.

RedPoint also partners with leading marketing service providers to provide a hosted turnkey solution for a fixed monthly subscription fee. These partners can configure, execute, and manage everything from simple (but high-value) email campaigns to multichannel, multi-step campaigns with real-time consumer interactions. In addition to supporting a hosted solution approach, RedPoint also provides on-premises and hybrid deployments along with a complete support offering for any of our solutions.

In an era where more control is in the hands of consumers, retailers suddenly find themselves scrambling to revamp the ways they engage with savvy consumers who follow radically different buying journeys. And as consumer expectations rise, retailers are under greater pressure to create seamless omnichannel buying experiences.

The keys to engaging this omnipresent consumer are data, insight, and orchestration — all of which require a single, unified view of customer data that seamlessly cuts across all channels, devices, and media. It starts with aggregating all data — first-, second-, and third-party sources — into a precise, holistic, and timely resource that enables retailers to orchestrate highly personalized real-time interactions to acquire new customers, deliver customized offers, and increase revenue.

For marketers, success is achieved by discovering where, when, and how the customer wants to engage and interact during the buying journey and respond with contextually relevant messages and automatically initiated milestones and triggers that appear at the customer's speed.

For more information about RedPoint, visit <a href="www.redpointglobal.com">www.redpointglobal.com</a> or email us at contact.us@redpointglobal.com

#### About RedPoint Global Inc.

RedPoint Global optimizes customer engagement by providing a platform for intelligent and tmely orchestration of data, insights, and action. RedPoint's customer engagement platform provides a unified view of your customers, determines the best decision on next actions to take, and orchestrates customer interaction across all channels. RedPoint's customer engagement platform drives more revenue while optimizing the spend on interactions. For more information please visit <a href="www.redpointglobal.com">www.redpointglobal.com</a> or email <a href="mailto:contact.us@redpointglobal.com">contact.us@redpointglobal.com</a>.

"RedPoint Global bundles data management, real-time analytics, and cross-channel campaign management into an engine capable of delivering contextually relevant, omnichannel marketing content."

Forrester Research, March 2016



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