ORACLE
Retail

Contextual Intelligence in Retail

Introduction: Today's retailers have a good handle on who their customers are. They know the superfans and habitual buyers as well as the occasional shoppers, and they can readily identify those to target at an initial asking price and those shoppers who will be motivated only with the ubiquitous BOGO or clearance sale. However, it's not always easy to acquire new retail customers who would have the potential to love the brand but have yet to be properly acquainted. A move in the right direction, businesses are using contextual intelligence to build more nuanced and granular consumer profiles, helping them understand their best customers even better than before. With this added insight, retailers have more information to inform their searches as they seek out their next best customers, all while better catering to their loyal base. Read on to see how your retail business, from marketing to planning to store operations, could benefit from the macro view of your customer.

Better Data, Better Business
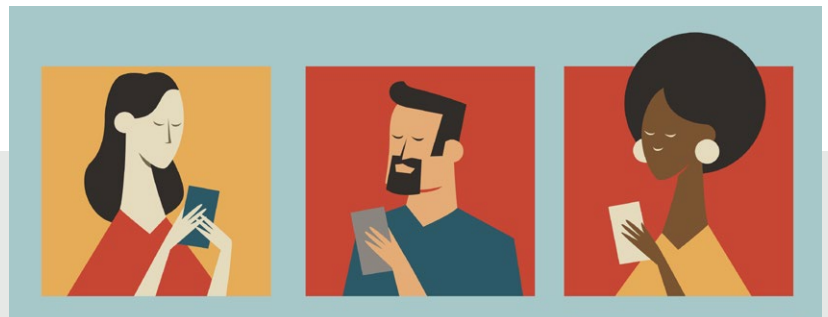
'Data-driven marketing' is more than a buzzword—it is a best practice that steers how, when, and with what tools and offers retailers approach current customers and new prospects. However, just as a factory depends on the strength of its supplies to create a superior product, data-driven decisions are only as good as the data retailers have to work with, and both quantity and quality factor into its success.

First Vs. Third-Party Data

Do your customers typically have kids? Play sports? Go on road trips? Belong to a specific community or club? Do they go all out on holiday shopping? Understanding your customer base is the key to finding and selling to other likeminded consumers. Owned data like website and app interactions, point of sale transactions, and store interactions give you enough insight to know who your customers are, but contextual insight can help you come to understand them beyond the interactions with your brand.

Customer Example:
Shoe Carnival

- Expanded use of 1st-party data
- 20:1 achievement of new buyers Return on Ad Spend
- Ability to reach and convert 3.5x more prospects

The Snowball Effect

Envision a mosaic of small parts that together create a work of art greater than the sum of its parts, or Seurat's pointillism classic of the lakeside—every dot, every color makes the whole. The connection of the dots—or data points—and the interplay of the colors make the scene seamless. While retailers' own data may provide the information they need to serve their customers sufficiently, they may be missing crucial details that could put their data into context. This 'macro' view of each data point in the context of others epitomizes the next practice that will shape marketing in the years ahead. With third-party data layered atop first-party insight, retailers can gain new insight exponentially, and their understanding of their customers will only snowball.

The Odds

" If you send out an email to 10 million people, and last year, you got 1,000 sales on it, this year you got 1,500 sales, everyone's high fiving like, 'Woohoo, 50% lift in sales!' Except you were irrelevant to 9,998,500 people. You do that 136 times a year, three emails a week, how healthy do you think your customer file is going to be?"

– Brendan Witcher, Forrester

Read more in *Chain Store Age:*
The Modern Retailer's Technology Guide to Individualization

Customer Acquisition in The Contextual Era

Marketers have largely moved on from 'spray and pray' tactics when it comes to customer acquisition, and it's now clear that a good marketing strategy requires the right insight. Over the last ten years, developments in data analytics have been especially useful in assisting marketers in extracting maximum value from retail customer and consumer data. Still, now it's time for brands to make the shift from knowing their customers to truly understanding them. Knowing simple, predictable facts about customers is helpful for business planning. Still, to build a cohesive marketing and customer acquisition strategy, modern retail marketers need a whole landscape of contextual information.

It's the difference between knowing that someone makes a particular purchase at a specific time of year and understanding why they make it. Understanding requires contextual intelligence and allows brands to pre-empt changes in behavior, anticipate adjacent preferences, and predict and influence future interactions.

Consumer insights gleaned from interactions beyond your brand can bring critical new details into the mix and enrich what you already know. It could be as simple as more detailed demographic information, or it could also be valuable psychographic data about shopper behaviors. It takes all of the pieces of the jigsaw puzzle—from first-party web and app engagement, transaction, and loyalty data through to third-party enrichment—for brands to develop a good understanding of their existing customers. With that understanding in mind, retailers can then identify their next targets for new customer acquisition.

All About Me

Context matters to consumers. According to our study of more than 15,000 consumers:

- Almost half of shoppers (48%) say it's critical to get offers or discounts, which are better than what anyone else can get based on their loyalty.
- Only 20% of global shoppers think the offers they get from retailers are always relevant or personalized.

Read more in Oracle Retail's Setting the Bar report: http://oracle.com/goto/settingthebar.

Retail Strategy, In Context

Contextual intelligence can help retailers improve their strategies beyond customer acquisition. Consider how a multi-dimensional view of your customers would benefit your brand in these areas:

- **Promotions & Offers:** In a competitive environment, targeted promotions can be considered make or break, and too often, ads and offers miss their mark because they lack information about the would-be customer. Even when promotions are on target, these may fall flat because they aren't exclusive enough, or perhaps they ignore what drives a given shopper to buy. Although some consumers want to feel they are getting the best deal, others may be motivated based on speed and convenience. With limited information on even your most loyal customers, it is difficult to ascertain what will motivate someone to buy. Third-party, contextual insight adds complexity, allowing you to customize and adapt your deals to increase the strike rate of your campaigns.

- **Personalization:** In today's retail environment, knowing more about individual consumer tastes and preferences—right down to colors, flavors, budgets, and biases—is critical to your profitability. Consumers appreciate a shopping environment that speaks directly to their needs and preferences, and contextual customer intelligence can power next-level personalization, using multi-source data to anticipate shoppers' every wish.

> Customer Example:
> ## La-Z-Boy
> - Increased Click-Through-Rate with personalized creative
> - 187% higher campaign ROI compared to average
> - Expanded use of 1st-party data

- **Loyalty Program Efficacy:** Loyal customers are your most valuable ones. To keep them coming back, retailers can leverage data in-context to unlock a whole new understanding of their existing customer bases. Your top customer may always redeem rewards online rather than in-store. Still, perhaps they cash in other brands' rewards via BOPIS, bringing them in-store and leading them to make ancillary purchases in the process. Just as the grass is always greener, an outside perspective can unlock new possibilities and help retailers imagine new paths to profit.

- **Assortment Optimization:** Selecting your assortment may often come down to knowing what your returning customers want. Still, it's also critical to know what piques interest among browsers and first-time buyers. Contextual

" By building out-owned data with anonymized, diverse third-party information, brands will soon gain new context and a deeper understanding of both existing and potential audiences – whether they're online, via voice or mobile, or anywhere else."

– Jeff Warren,
 Vice President of
 Retail Solutions
 Management,
 Oracle Retail

Read more:
How Contextual Intelligence Can Improve Retail Decisions Today: 4 Ways to Lead the Pack

intelligence enables retailers to learn from the broader crowd, so they can build assortments that draw in new shoppers and keep your loyal following coming back for more.

- **Site and Store Format Selection:** While recent years have seen the rise of BOPIS, pop-ups/pop-ins, and other in-store phenomena, the current health situation has further shaken up store formats, causing retailers to rethink layouts in light of health and safety as well as local regulations. These decisions are crucial and have a broad impact across the brand, employees, and the community at large. It's prudent not only to consider same-store sales and profitability but how a store closure will impact online sales in the surrounding region. As retailers plan for the new next, they'll benefit from a broader understanding of the behaviors of not only existing customers but the broader pool of consumers they seek to serve. While their base may be happy with a small-format spot to pick up orders, new customers looking to get to know the brand may respond better to a more extensive showroom or greater in-store selection.

- **Sample Scenario:** Consumer Insights' first-party store format information and sales data could use a lookalike modeling method to match potential customers with current customers based on shared attributes, such as 'mail-order buyer' or 'sale shoppers.' Then it could assume that the formats that those customers prefer via their sales activity would then appeal to the lookalike customers out there.

Breaking Down the Bits

Merely capturing data about your best customers isn't enough to deliver a macro view of customers in context. Retailers must go outside their own walls and bridge their own customer data with third-party data for a complete picture of who their customers are—not just who they are when they stop in-store or browse their digital aisles. Retailers need the right types of data, pulled from the optimal sources, and analyzed in the proper manner to truly understand their customers and the consumers they hope to convert.

Retailers need the right varieties of data, including purchase-based, online behavioral, demographic, and more. Beyond this, they must procure data from the right sources, spanning internal data silos to third-party data from partners like credit card networks, public sources like the Census, and even external retailer data to round out a complete view of their customers.
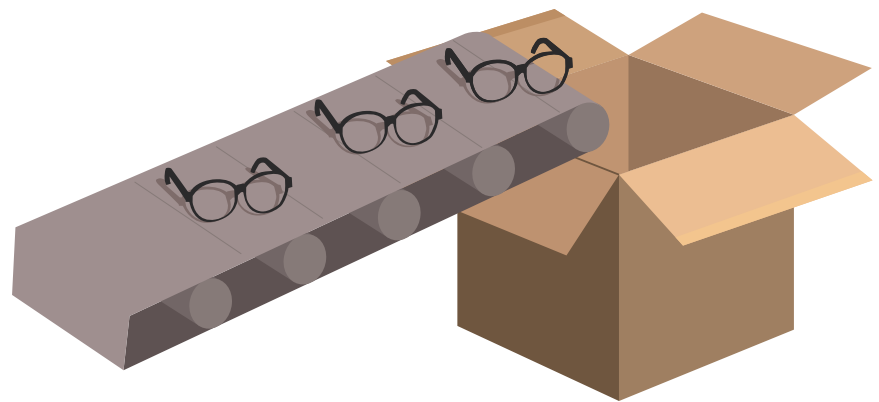
The Next Level

Beyond core retail operations, contextual intelligence can also shed light on the niche and emerging areas of consumer decision making. **Customer decision trees** map the decision-making journey customers follow when shopping, and they become all the more powerful when retailers add the context of customer attributes. If a customer enters a grocery store's dairy section looking for lemon yogurt only to see their favorite flavor has sold out, where do they go from there? Will the shopper reach for strawberry, or are they more likely to skip yogurt altogether and head for applesauce instead? Contextual intelligence can help a retailer prepare for certain situations like stock-outs by understanding **demand transference** in the context of customer attributes.

Retailers can also apply contextual intelligence to the whole shopping cart to better understand **affinity analysis**. If apples and oranges tend to sell together, retailers may see a benefit in promoting them together, but in doing so, they may risk cannibalizing sales of one or both. And those item affinities and potential promotional halo and cannibalization effects might vary between customers possessing specific attributes, warranting more targeted promotions. **Enriched customer attributes** could help the retailer understand if the shopper is a planner, picking up quick-ripening oranges for this week and long-lasting apples for next to avoid a future trip. Or maybe they are very social and plan to use both fruits to mix up sangria. And finally, strategic customer-centricity lends to predicting **customer lifetime value**, the ability of which is enhanced with enriched customer attributes. In turn, those lifetime values can be leveraged in lookalike modeling for customer acquisition.

Watch a short video to see how Consumer Insights helps acquire new customers.

1500 retailers

1000 product categories

115M households

375 customer attributes

5T transactions

Take a Complete View

Now and in the future, the key to achieving retail success and customer satisfaction will be rooted in keenly understanding people—your brand's customers and the broader pool of consumers that are potential customers—to help shape your brand's retail experience and retail decision-making.

Oracle Retail Consumer Insights is a strategic collaboration with Oracle Data Cloud that provides an unprecedented level of insight for retail marketing teams seeking to better understand their existing customers and optimize new retail customer acquisition campaigns. Utilizing Consumer Insights to marry your first-party data with Oracle Data Cloud's extensive third-party information from over 1,500+ retailers can help you build a holistic view of your customers, beyond their interactions with your brand, and refine your promotional strategy for optimal results.

Want to learn more...

Oracle Retail Consumer Insights Infographic

ORACLE

About Oracle Retail:

Oracle provides retailers with a complete, open, and integrated suite of business applications, server and storage solutions that are engineered to work together to optimize every aspect of their businesses. Twenty of the top 20 retailers worldwide — including fashion, hardlines, grocery, and specialty retailers — use Oracle solutions to drive performance, deliver critical insights and fuel growth across traditional, mobile and commerce channels. For more information, visit www.oracle.com/retail.

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