

TRANSFORMING MARKETING OPTIMIZATION FOR A RETAILER: INFOSYS'S CONSUMER GENOME PROJECT

A Case Study in Early Successes

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Executive Summary

The marketing function continues to evolve in 2013 along the path established in the last few years. Unsurprisingly, digital marketing, social connections, and mobile interactions demand more and more attention, and emerging technologies such as advanced analytics and big data are expected to be further leveraged by organizations in modernizing marketing processes. At HfS Research, our research interest is exploring just how CMOs expect to check off these boxes in the next few years in trying to keep up with the growing marketplace complexity. This document accordingly highlights the path that a large footwear retailer in the US took to achieve this goal by working with Infosys on a new marketing optimization solution, the Infosys Consumer Genome Project. With the help of the provider, the retailer reduced its media costs, gained a unified view of its customers, and experienced a 5% campaign response lift, potentially impacting \$3MM+ in six-month revenue flows.

Rethinking Marketing Optimization in an Evolving Market

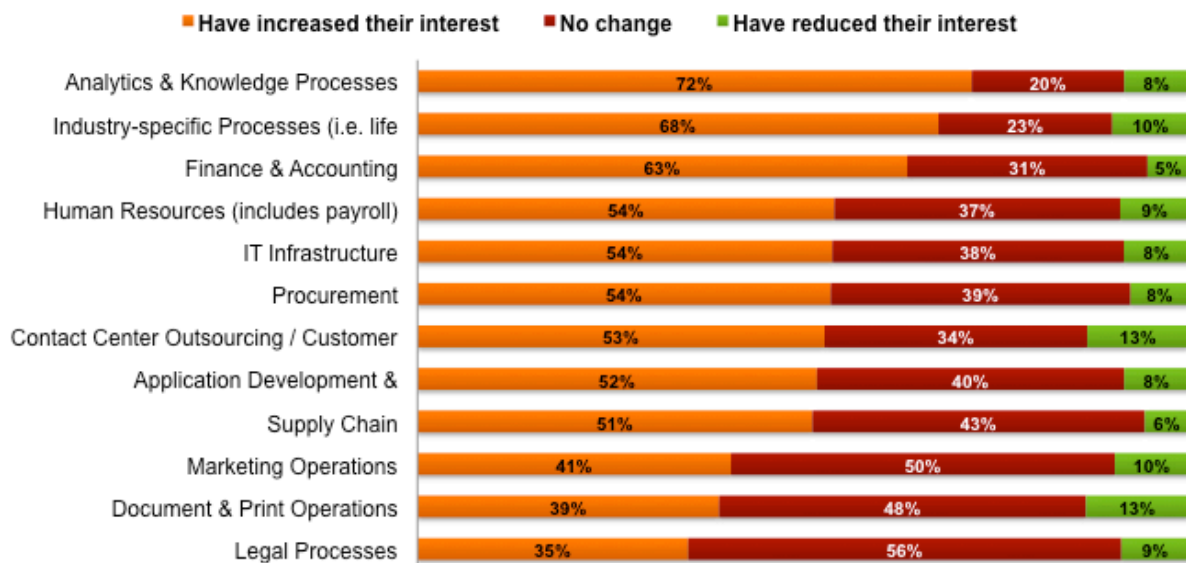
A quick comparison of marketing trends for 2012 and 2013 reveals that the big bang items remain the same today. What this proves is that the industry is moving steadily toward adopting sweeping changes in how marketing is defined and executed. The core themes we know already and have established further on entering 2013 are analytics and the big data movement, mobile and the real estate value of the second screen, and the rise of social marketing.

Every CMO has had countless discussions about the best way forward with these mega-trends in marketing. At HfS Research, we see two overarching marketing optimization challenges for organizations: crafting a campaign strategy that truly synergizes and monitors all relevant marketing channels and finding comprehensive, affordable, and up-to-date technology platforms and the right talent to optimize campaign execution.

Sensing the scale of these challenges, CMOs have started to make drastic changes in strategies for future growth. External partnerships are one such key lever that is on the rise – companies are leveraging third-party providers for tools and platforms expertise, marketing analytics support, marketing consulting, and multi-channel customer engagement, among others. Our recent State of Outsourcing study illustrates the increase in buyer interest in working with third-party providers on advanced analytics and marketing operations.

Exhibit 1: Rising Buyer Interest in Analytics and Marketing Operations

Q. Have your clients / prospects increased or reduced their interest in outsourcing the following processes over the last 12 months?



Source: HfS Research, 2013, "2013 State of Outsourcing" Study, n = 495 Service Provider Executives

At HfS Research, we have strived to present business cases and best practices that emphasize how different marketers are trying to cope with maturing marketing channels and consumer habits. In this document, we present the experience and learning of one such company that engaged with Infosys on an ambitious marketing optimization project to address the challenges discussed.

A Retailer's Ambitious Marketing Optimization Journey with Infosys's Consumer Genome Project

Client Snapshot: A Footwear Retailer in the US

The company (also referred to as 'the client' in this document) is one of the largest discount footwear retailers. The retailer has more than 13,000 employees and operates in more than 4,000 locations. It also has a growing presence in Asia, the Middle East, and Eastern Europe through more than 170 franchise agreements. The retailer owns numerous popular footwear brands and seasonal accessories for millions of customers across the globe.

Key Challenges in Integrating and Optimizing Marketing Channels

Similar to many other CMOs, in 2011 the footwear retailer's key pain point was in integrating disparate customer databases and designing better channel management in general. To list the many sources, the company had market data, customer data, Point of Sale (PoS) data, account profiles on websites, email addresses through third-party email providers, opt-in mobile SMS information, and Android and Apple apps collecting customer information. At this point, the retailer had five years' worth of cross-channel history and master data that needed to be processed, integrated, and analyzed. In our conversations with the retailer's IT Director of Digital Commerce, he explained the state of affairs: *"Our customer would come into the store and purchase something after responding to an opt-in email mailer. While this would generally be good, we were still none the wiser about his point of sale interaction and wouldn't be able to track him again... for anything. Our central challenge was pulling all this together to get a true unified picture of our customer. We also needed to add a layer to that, to leverage our multi-channel knowledge to calibrate our customer interactions."*

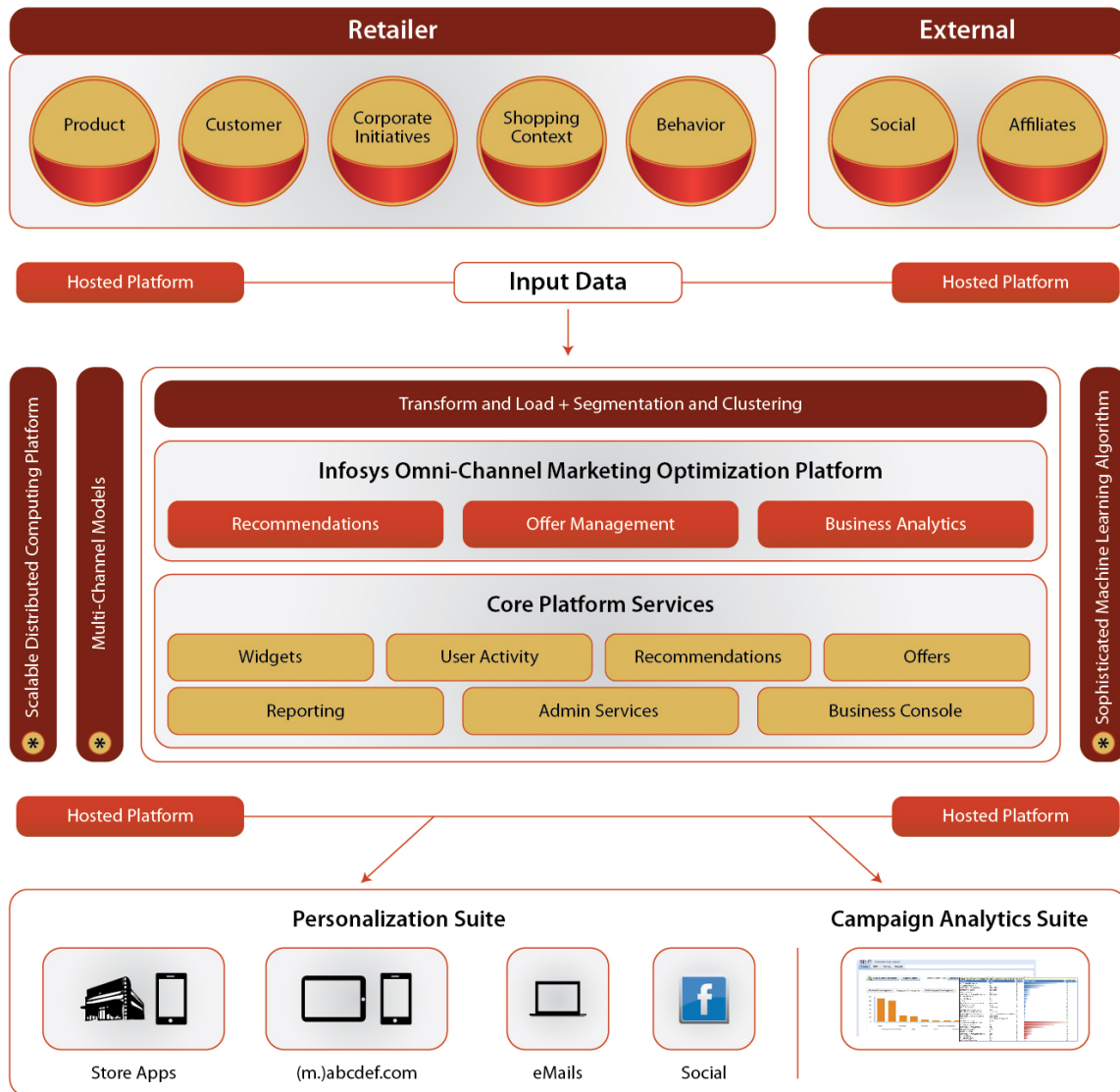
The client needed to learn to adapt to the increasingly complex marketplace to engage more intelligently with customers, or risk losing them to competing brands altogether. The company was also looking at moving spend from traditional mass media to more interactive channels, further enhancing the need for a rethink in optimization to justify investments.

An Omni-Channel Solution That Isn't Afraid of Talking to Big Data

At this point, the client had a long history of working with Infosys, the Bangalore, India-headquartered IT consultancy. Infosys was helping the company with complex analytics projects when it decided to step up marketing processes. The combination of an established relationship, the urgency of the requirement, and the right solution helped the client pick Infosys. In the IT Director's words, *"Not only did they have the solution and the means to grow it, but they also had the talent. They knew out of the gate what we wanted, and how to address our challenges."*

The winning solution is Infosys's Consumer Genome Project, a culmination of the provider's experience working with traditional marketing units and realizing the potential of multi-channel engagement based on events and customer context. The Project provides predictive analytics to offer a 360-degree view of the consumer to establish context – so that companies know when, where and how to influence, create correlations, make wise suggestions, or compelling recommendations – to match consumer touch points with the company's personalization plans.

Exhibit 2: Infosys Consumer Genome Project - The Big Picture View



Source: Infosys

As clear from the diagram, the platform's campaign/marketing optimization capabilities originate from the analysis of consumer data, catalog/offer information, and the various interactions that the consumers have with the enterprise (clicks, buys, likes, returns, etc.). The same wisdom is being used to expose personalization services through other channels of interaction such as Point of Sale (POS), web, mobile, and so on. The core of the platform is reused across multiple functions – for the same enterprise as well as across enterprises. Inputs and hence outputs change for different enterprises, but the software components that power the different services are highly adaptable and hence heavily reused. That being said, the initiative is labeled a Project and not a Product because

although the underlying components and principles are applicable across the board, the algorithms cannot be used across companies. Different companies have varied targets, customers, and models. Thus, the scalable, big data–capable solution is implemented only after the team develops the rest of the analytics engines for a new client.

The key features of this analytics-powered platform that the retailer was interested in are the following:

- » **Precision Targeting** - Understanding consumer context (needs, interests, connections, aspirations, etc.)
- » **Time-to-Event Mix** - Identifying the most relevant channel/time to engage consumers with communication, offers, and experiences
- » **Campaign Cadence** - Determining the optimal pace for campaign interactions and dialogues
- » **Offer Optimization** - Optimizing offer versions/sequence to drive maximum values for the consumer and the business

However, before even reaching this stage of tweaking offers and campaign management, the client needed a platform that brought together disparate data marts and allowed a more flexible, organic way to grow. This was the key reason Infosys’s solution was selected, as it leverages HADOOP-based big-data technology that is easily scalable.

Implementation and Scope Expansion to Include Strategic Decision Making

As the retailer rolled out the implementation of the agreed scope (solution + analytics service support), there were changes across all dimensions – people, processes, and technology. As an example, the company had data analysts who used tools to do customer segmentation. Even when there were small development projects in which the data analysts worked with analysts, the method was ad hoc, and campaign management was very short sighted. As this was carved out for Infosys to take on, structure was created for the processes.

The following table details the initial scope of work commissioned by the client, the subsequent expansion of the contract as the relationship progressed, and the types of changes experienced.

Exhibit 3: Engagement Details

Initial scope of work	Contract expansion
Build out of a marketing data mart, which included customer data, POS, and eCommerce transactions <i>(Technology changes)</i>	Productionalizing the campaign management process, including training internal employees <i>(Process/People changes)</i>
Definition of a campaign management process <i>(Process changes)</i>	Development of 16 repeatable reports via the factory <i>(Technology changes)</i>
Development of a reporting factory to create/deliver reports <i>(Process/Technology changes)</i>	Numerous data changes <i>(Technology changes)</i>

Source: HfS Research, 2013

An early challenge was the lack of documentation of requirements on the customized reporting modules to be developed, leading to a disagreement over the scope of the engagement. Infosys committed senior resources on the ground to work toward resolving the issue, to the point where the client is now hoping to expand the reporting work done in future.

An interesting evolution with the relationship was the inclusion of Infosys's team in designing the campaign as well as making day-to-day strategic and tactical decisions. The client frankly explained, *"When we started, we thought what we needed from Infosys was hands and legs and feet to execute offshore. But we very quickly realized that there was a gap, and we got from them on-site team members with holistic knowledge of markets and marketing processes to take on more complex campaign designing and management tasks."* A challenge during this transition was the multiple attempts to find suitable resources that could work alongside the client's team, as the roles demanded significant knowledge of the market, marketing processes, management experience, global operations experience, and analytical thinking. This talent gap is felt by many CMOs today, and was bridged over time by working with Infosys on overall marketing goals.

Working through these challenges, Infosys now provides comprehensive marketing services today beyond the actual platform deployed. The team works across the entire marketing lifecycle of campaign planning, designing, executing, and monitoring. The operating model thus quickly evolved from an offshore team to a hybrid. Infosys employees work on-site in the client's marketing team, helping with campaign design and management and overall operations, while offshore teams perform reporting, analytics, and data management tasks.

The Results: Using Advanced Analytics and a Turnkey Solution to Boost Campaign Planning and Execution

Working with Infosys's Consumer Genome Project, the footwear retailer has made definitive leaps in modernizing its approach to marketing. The two most innovative elements of the new solution that the company felt have impacted most are the following:

- » **Turnkey solution** across process and technology domains through the hosted platform to scale and support near real-time campaign planning and execution
- » **Advanced analytics** to identify the best offer sequence for delivery at the right time using the best channel combination

Due to these new capabilities for the client, the engagement produced the following results in the last year:

- » Improved campaign response lift (by 5%) with **potential impact of \$3MM+** flow through revenue over a six-month period
- » **Reduced media cost** by optimizing offering at the media mix level
- » **Single view of the customer** across sales, inbound, and outbound marketing channels

Since the implementation, the team has seen an improvement not only in campaign efficiency but also in campaign response lift. This is important not only for the campaign and revenue impact but also from the point of view of the company's current phase – shifting from traditional mass media to interactive media avenues. The retailer and Infosys acknowledged the contribution of the eCommerce channel to inbound marketing, and invested efforts in improving responses in this area. Due to the analytics work on the different marketing channels, the retailer shifted budgets to interactive media more confidently, based on actual results.

In our conversation with Infosys, they stressed the importance of moving to multi-channel campaign optimization and the progress the client has made. According to Infosys, *“Some retailers struggle with schedule-based/single channel-based campaign management, using analytics only to study [the] ROI of these investments and tactical improvements (e.g., I optimize my email channel well). Most retailers are now realizing the potential of opportunity windows and triggers for customers, and want to shift from schedule-based campaigning to optimize their communication cadence instead. Tweaking offers is another challenge, and where our solution becomes important, in understanding incremental campaign responses. Moving from focusing on single channel revenue flows to campaign optimization of multi-channel communication will take time, and is something we have helped this client in achieving in a short period of time.”*

A Long-Term Plan to Get the Most Out of the Partnership

It is still early days with this partnership, and the retailer and Infosys are working together to further evolve the Consumer Genome Project for profit. The retailer's IT Director outlined the near-term action items for the engagement: *“We're dedicated to the Infosys solution and plan to expand it to include Campaign Management and Self-Service Reporting capabilities. We are also considering the Recommendations engine it provides.”*

Infosys for its part is keen to develop the Project beyond its current scope. As an example, Infosys has yet to study the long-term impact of social connections on brand awareness and loyalty. The solution has an evolving set of KPIs of importance to clients. Overall, the Consumer Genome Project hopes to *“provide a simple, scalable solution that deciphers the consumer genome along dimensions that are relevant to the retailer, and delivers optimized (and targeted) recommendations along dimensions that are relevant to the consumer.”*

Conclusion and Key Takeaways

This case study about early successes in marketing optimization is encouraging, and highlights one of the many ways in which organizations are leveraging external experts to remodel their marketing processes. There are several key takeaways for organizations facing similar challenges:

- » **Marketers must take a broader, 'contextual' approach to their customers**, taking into account their interests, social connections, needs, locations, influences, etc., to create personalized recommendations to them through analysis-driven campaign designing and execution. This information is the stuff that old school marketing dreams were made of, and modern technologies have made the responsible use of such data possible and within reach.
- » **When working with an external provider for campaign execution/monitoring, there is merit in involving them in the planning and designing phase.** As in this case, while the initial scope involved platform usage and analytics support, the insights gleaned by the team went beyond tactical suggestions, and Infosys eventually deployed on-site resources to help the client plan and manage campaigns according to the new data-driven methodologies.
- » **Know what you're signing up for down to each requirement before work begins.** As the client recounts regarding the lack of clarity in reporting requirements, *"Know what you want. No matter how good your vendor is, in the end you have to be responsible for articulating what you want and ensuring it's delivered accurately."*
- » **Marketers are increasingly experimenting with big data-powered platforms.** In the client's words, *"This platform is our first attempt at consolidating four disparate customer databases along with their multi-channel transactions so that we can better understand their behavior and more effectively market/campaign to them. Big data has a large role to play to enable us to do that in real time in future."*

About the Author

Reetika Joshi



Reetika Joshi is a Principal Analyst at HfS Research. She currently tracks the outsourcing industry, with a special research focus on the BPO and Analytics services markets. She regularly contributes to HfS' research content in the form of reports, rapid insights and blog posts. She also supports custom research and strategy projects; analyzing data, supporting client inquiry, conducting regular discussions and briefings with both buyers and providers, providing consultative, analytical and expert support to HfS clients.

Based in Pune, India, Reetika spent the last three years prior to HfS Research working with the sourcing research wing of business research and consulting firm ValueNotes. Her last profile as Project Manager encompassed a range of responsibilities including research product design and development (reports, models, etc. for the outsourcing community), managing custom research engagements, developing thought leadership through targeted content and community interaction, and supporting the business development team. Being a strong believer in the power of online communities, she was also responsible for driving the unit's web and social media strategy and presence.

Reetika has undertaken several research assignments across the outsourcing spectrum, including market studies in niche BPO and KPO areas such as analytics, medical transcription, market research and e-learning. She has served clients through multiple bespoke research engagements, including in-depth competitive intelligence studies, market and investment opportunity assessments, demand-side surveys and marketing communication optimization for outsourcing buyers, providers, consultants and investors. Her work has appeared in many industry-relevant publications and websites, including Outsourcing magazine, Global Services Media and the Horses for Sources blog. She has presented her views on the state of the outsourcing at various conferences.

Reetika has completed her Masters in Marketing Management with distinction from Aston University, UK, receiving Beta Gamma Sigma honors. She was awarded the Accenture prize for Best Student on her course. Prior to this, she received her Bachelors in Business Administration with distinction from Symbiosis International University, India.

On a more personal note, she enjoys reading (fantasy series in particular), travelling to world heritage sites, watching the odd foreign/independent film, kicking back with strategy/simulation gaming, and lastly, rooting for Google Android and the open source community.

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