

PERSPECTIVE

Unlock value through analytics-driven insight and action



Retailers have been front-runners in capturing and leveraging data for decision making across the value chain. However, technological developments of the last decade – available to shoppers and businesses alike – have not been an easy change to adapt.

Growth in online shopping, the explosion of smartphones in emerging markets, and the thinning lines between privacy and openness on social media networks are trends that define today's connected world. The gold rush is understandable – in developing and developed markets, having a presence in social media, collecting data, understanding the needs and aspirations of the omni-channel consumer, and acting on them in ways that is meaningful, is critical.

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Deciphering the consumer genome, an imperative

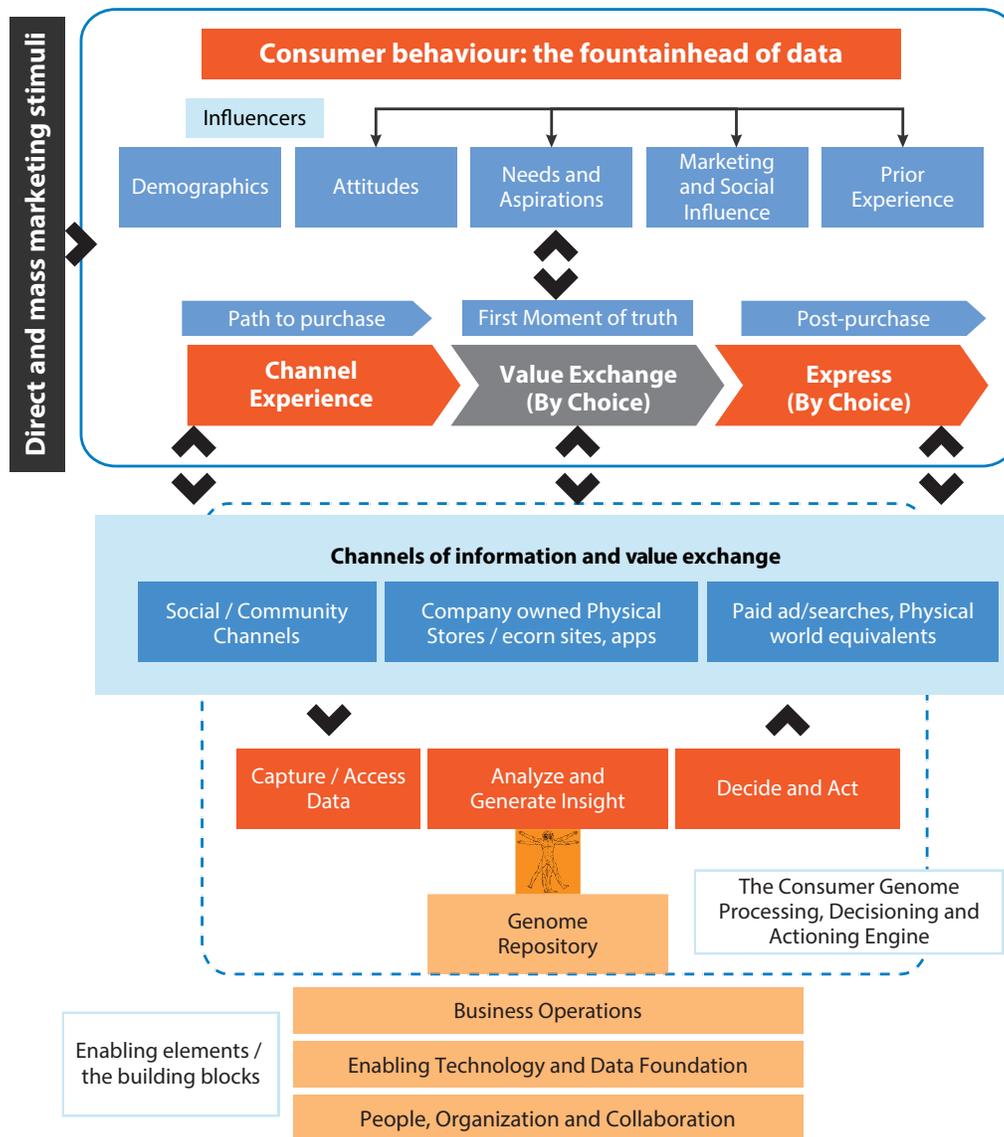
Businesses need to “understand their consumers”, systematically collect and analyze relevant data, and derive insights for coordinated action across channels through right technology implements.

By deciphering the consumer genome, businesses can have meaningful engagements and create experiences that blend in with consumer than intrude, and possibly, drive loyalty.

We define consumer genome as an analytics-driven innovation framework designed to gain insights about a consumer by processing all relevant up-to-the-moment information that a business can have access to (legally), and using such insights to create consumer experiences that serve them better, profitably.

Consumer genome at the center of the enterprise

Let us take a quick look at a business through the “consumer genome” lens.



Four distinct blocks emerge in this view:

- **Consumer behavior** – Heavily influenced by needs and aspirations, prior experience and perceptions, peers in the digital / social space, and marketing stimuli.
- **Channels** – Powered by the consumer genome, it enables two-way interaction and exchange of information and value between the consumers and the business.
- **Consumer genome repository** – A set of capabilities that allow collection of relevant data, synthesis and storage of insights to drive action.
- **Enablers** – Operations, organization and technology that keep the business going.

While the first two blocks are ways in which consumers provide inputs to the business, the third and fourth are indicative of how businesses can prepare themselves for having meaningful interactions with the consumer.

In our view, forward looking businesses will differentiate themselves in their ability to process (decode) and act on the consumer genome. Specifically, in how they:

- Build the DNA database [collect relevant data]
- Synthesize the genome [apply analytics for insight]
- Render meaningful experiences [act on consumer insights]

Everything else – business processes, people, and technology will rally around, to make this happen.

We present some examples we have observed in individual areas, and some big, audacious attempts to change the game and step beyond the boundaries of a single business entity.

Consumer behaviour – the fountainhead of data

The traditional purchase funnel is, well, no more. There are many new models that explain the decision journey of a digital consumer. We break it down as below.

In the context of an interaction that is either casual or one with a mission and could potentially lead to value exchange:

- **The prior:** A consumer defined by a set of demographics and having specific needs and aspirations, starts the journey with attitudes shaped up prior experience and social influence. Marketing stimuli through direct and mass media also has a great influence.
- **The experience:** A consumer's interaction with a business via a channel (or multiple channels for the same need), is heavily influenced by the above, plus how good the channel experience itself is.
- **Value exchange:** The moment-of-truth – whether a value exchange happens or not, is influenced by both the above.
- **Expression:** At any point during the journey, a consumer chooses to express (through word-of-mouth, likes, comments, shares, reviews, or by way of repeat purchases later), influenced heavily by all that happened and experienced until that point.

Data fountain: As a consumer goes through the above stages, there is a trail of data generated – easily accessible in the digital world (with right permission), and in the physical world with some effort. Ability to consistently and continuously capture such data, ability to process insights, of these for actionable insights is at the center of decoding the consumer genome.

Building the consumer DNA database (Collecting relevant data)

While point of sale transaction data is collected by most retailers, the ability to blend it with shopper profile information is not consistent. Businesses cite the trouble of having to manage shopper card programs with associated cost. A footwear retailer uses shopper phone numbers as a very reliable way of tracing transactions to shoppers without a shopper card. Using match-back services from demographic data suppliers, the retailer has been able to track and maintain the identity of shoppers and their transactions, even as the phone number and address changes.

The recently launched rewards program also doesn't necessitate a card (more than 70% of shoppers and their transactions are traced accurately, and loyalty program is increasing opt-in rates further). Consistent execution of this strategy at the store-front via associate-level training has made it a data rich organization that can synthesize and leverage the consumer genome. Right in the first six months of their use of blended PoS and shopper data, they realized a tangible lift foot / click-falls, conversions and better campaign response (\$300,000 in bottom-line impact)

convincing them to continue innovating on a journey of five years, that today leverages Big Data driven CRM analytics and campaigns.

Retailers looking to gain competitive intelligence are looking to flip around the mobile point-of-sale technology adopted by the likes of Apple and Nordstrom. They are trying to incentivize a large enough sample of the shopper base to scan and transmit their shopping behavior by using

affordable barcode devices attached to mobile devices. So, if a consumer walks into a grocery store and hops into the apparel store, his entire shopping trail can be captured, giving retailers a 360 degree view of his consumption pattern. This can be used to devise the right incentives for the household to regularly scan and transmit data.

Unstructured data like social media data and geo-spatial data for location

contextualized offers, and the Big Data technologies that enable storage, processing and acting on such data at real-time, opens up a whole new world of possibilities.

It is worth noting here that the initial apprehensions of consumers on sharing data has given way to selective openness to share data with businesses that they trust, and as long as it is used to serve them better or enhance convenience.

Synthesizing the consumer genome (apply analytics for insight)

Actionable and value generating insight is key to target the right audience with relevant offers. By analyzing purchase history and demographics of loyalty card holders (~50% of their total shopper base), an APAC-based lifestyle retailer was able to identify that a specific and sizeable segment of their female shoppers across multiple cities showed clear affinity to premium priced private-label apparel (experimental launch of localized fashion) over national / international brands. This insight gave them the confidence to launch and promote their own brand that contributes significant volumes and margins to their women's division sales.

A sports goods brand has built a full catalogue of DNAs (simple purchase behavior aggregations and inferred affinities to various sport themes) that are available on demand to their marketing and CRM teams to build their campaign strategies.

The strategy here is to capture data for the cardinal set of consumer variables which can give the insights as demanded by marketing.

In both cases, there were no significant technology spends. It was the innovative use of existing data to gain significant value that provided the benefit.

Immediately after new product launches, fashion retailers could combine signals from social media comments and PoS data to identify killer-attributes that are noticed and appreciated by consumers to further emphasize in marketing messages through the season, and feed as insights into the next cycle of product development.

Rendering meaningful experiences (Acting on insights via channels)

We differentiate 'multi-channel' initiatives from 'omni-channel'. Omni-channel level maturity entails not only having physical stores, e-com / m-commerce and social presence, but an ability to leverage insight from interactions across all these channels and deliver optimized and consistent experience for the consumer, like in examples provided here.

A large number of organizations practicing multichannel initiatives still lack the ability to act on insights consistently across channels – for the same shopper, online treatment differs greatly from the in-store experience.

In that light, ability to deliver a consistent (or unique) "omni-channel" experience is a differentiator. An option to reserve online for in-store trial and shop, as offered by Gap, is an experience that cuts across the e-commerce and store channels. Interactive in-store digital mirrors (in fitting rooms or elsewhere in the store) that recognize the shopper and recommend

relevant products could enhance the shopper's experience and convenience. Shopper convenience and cross-sell opportunities are more successful when consumers are given a choice rather than a push from the retailer.

When it comes to pure online, today, best-in-class product recommendation engines have dynamic test-and-learn based execution. Recommendations are carefully constructed using building blocks of different display / creative options for each product, different marketing messages, and different promotional offers.



Extreme innovations – The big and audacious (Genetic Mutations)

Innovations around the consumer genome are not just happening in the retail industry. The Connected Cars concept is looking to transform the driving experience as we know today. Telecom companies, facing commoditization of voice and data, are also pushing hard to innovate.

An excellent example of this is Airtel Money, which is bundling shopping

convenience and banking in the phone, in India. Through this, Airtel offers its subscribers the ability to load cash on to the mobile phone and then shop and pay-as-you-go via the mobile, while earning interest on the outstanding balance.

While, for the business, these innovations open up new revenue streams (tying up with retailers and banks); for the consumer the innovation is the convergence of

channels for information and value exchange into his / her mobile phone.

It opens up interesting possibilities. What if the telecom company, instead of the retailer, provides phones with built-in PoS scanners to consumers and incentivizes them to scan and share data? Can the telecom company be the new syndicated data provider, leveraging its scale?

Leveraging the consumer genome: Where do we start?

We suggest that businesses assess themselves on four key areas, set the baseline and move from there.

- Data maturity
- Analytics maturity
- Adoption maturity (acting on analytics driven insights), and
- Omni-channel maturity



The consumer genome capability scoring guide

| Key Areas and weightage | Low (Score - 10) | Medium (Score - 30) | High (Score - 50) |
|--|--|---|--|
| Data maturity (Weight - 20%) | Basic transaction and consumer profile. Everything else is gathered and used in an ad-hoc fashion. | Data from multiple relevant sources collected, but each in a silo. 360 degree view of consumer is possible, but with enormous effort. | Data environment allows a 360 degree view of the consumer. Interactions from all internal channels and external sources are well integrated. |
| Analytics maturity (Weight - 20%) | Basic Transaction Metrics captured in reports. One-off Analyses. | Consistent application of exploratory and predictive analytics on data from multiple sources to understand the consumer. | Optimize consumer experience across channels through application of analytics. |
| Adoption maturity (Acting on analytics-driven insights) (Weight - 30%) | Analytics is a black-box for us. | Some departments (typically CRM and Marketing) adopt analytics, others don't. | Analytics drives action across the business value chain – in both consumer facing and operational functions. |
| Omni-channel maturity (Weight - 30%) | Each on its own. Redundant messages likely. | Co-ordinated action. Multi-channel teams co-ordinate and share plans with each other. Technology enables action within individual channels, but not across. | Comprehensive omni-channel personalization capability developed through right people, processes and technology. |

Minimum Weighted Score: 10 (scoring low across all focus areas), Maximum Weighted Score: 50 (scoring high across all focus areas)

Moving the needle in these areas will require committed action on the following levers:

- Building a pervasive culture that respects knowledge about the consumer.
- An organization structure that enables innovation through collaboration – between business functions and IT. Innovation is not the mandate of one or the other or the ‘corporate’. Clearly, three teams come together to decode the consumer genome – the marketing, the IT, and the analytics team. The first two define the roadmap, putting the marketing process and technology foundations, and the analytics team chips in with squeezing value from data existing at every stage of maturity. Senior management ensures that the rest of the organization assimilates insights that come out and embeds in their functional deliverables. (For example, click-and-collect strategies of retailers will not work if inventory planning doesn’t predict demand account for this in store level inventory allocation)
- Technology that enables data access / capture and processing the consumer genome, then acting on it in a multichannel landscape, is not trivial. However, there is not a single product or a stack that is emerging as the winner everywhere. Given the fast evolving nature of this space, selecting and integrating best-in-class components (cloud-based data store, analytics and personalization engines, digital commerce platforms) in partnership



with system-integrators that jointly govern the program for value delivery, is the dominant approach taken.

- Funding innovations. Multichannel integration, mobile enablement, dynamic personalization – all of these need investments. Innovators start by squeezing out maximum value from existing data, using innovative analytic methods and acting on it, today, while

painting the road ahead. In other words, we often see innovations evolve in a sustainable self-funded way, by leveraging analytics as the first step.

- Finally, a willingness to adopt a test-(fail, in case)-learn-scale-win approach, given this is an area where there are no text-book recipes that work for all.

So, is your business ready to build and leverage the consumer genome?

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