

# KNOWLEDGE IS PROFIT

Building a data-led strategy  
that boosts the bottom line



RWRC  
**CONNECT**<sup>^</sup>  
BY ASCENTIAL

In partnership with  
 **BARCLAYS**

# AT A GLANCE

**D**ata should be at the very core of every business. As the sector faces unprecedented challenges, when many retailers are tightening their belts, making decisions purely on gut instinct feels reckless at best: business leaders now demand watertight proof that they're going to see ROI on every penny spent. Harnessing data enables more confident decision-making on everything from investment and pricing to marketing and inventory.

The case for embedding data in every business function has been made time and time again – and retailers are catching on. More than three-quarters of those exclusively surveyed by Retail Week for this report said they were planning to invest more in their data strategies.

**“As the data revolution rolls on, the gap between those winning at data and those struggling to keep up is widening”**

But, without the right expertise to capitalise on this information, retailers are left drowning in huge swathes of data.

Often, only a fraction of the data in a company's possession is being used to good effect. And, as the data revolution rolls on, the gap between those winning at data and those struggling to keep up is widening. While some retailers are galloping ahead with artificial intelligence (AI) and customer relationship management (CRM) innovations, others still don't possess the skills necessary to truly understand their shoppers, competition and market conditions.

This Retail Week report, produced in association with Barclays, will open retailers' eyes to the power of data and the transformative effect of using transactional data in strategic decision-making and planning. Including exclusive retailer research and in-depth interviews, this report delves into strategic and investment data priorities. Read on to discover how businesses are turning data into knowledge, and knowledge into profit.

# CONTENTS

## INTRODUCTION:

### THE POWER OF DATA

- Avoiding information overload

## CHAPTER 1:

### HOW RETAILERS ARE HARNESSING DATA

- Where the use of data will go next in retail

## CHAPTER 2:

### IN-HOUSE VS THIRD PARTY DATA SERVICES

- Comparing data service functions

## CHAPTER 3:

### DATA AS A SUPERPOWER

- The best retail use cases

## CHAPTER 4:

### HYPER-PERSONALISATION

- How AI is changing the game

## CONCLUSION:

### KEY FINDINGS

- Taking it to the next level

## RWRC CONNECT: KNOWLEDGE IS PROFIT

### Creative Strategist

Isobel Chillman

020 3033 2996

isobel.chillman@retail-week.com

### Acting Commercial

Production Editor

Rebecca Dyer

020 3033 2806

rebecca.dyer@retail-week.com

### Global Business

Development Manager

Bradley Collins

020 3033 2920

bradley.collins@retail-week.com

**Contributors:** Helen Berry, Caroline Howley, Rachel Horner, Nicki McIntyre

# PARTNER VIEWPOINT



**RAJ PATTNI**  
HEAD OF INSIGHTS PLATFORM, BARCLAYS

**A**s data becomes an increasingly critical business tool, it's clear from this report that there isn't a level playing field when it comes to how retailers go about utilising it.

Some retailers are clearly ahead of the curve in embracing rapidly evolving data technologies to inform their business strategies, while others lag behind.

Many organisations are awash with their own data and 76% of retailers surveyed by Retail Week and Barclays say they are planning to invest more to develop a data strategy – but where should that investment go?

Keeping up to date with the latest data processing technology, such as AI, is obviously important, but isn't a solution in itself; no matter how good the tech, the key to success is identifying the right data to provide actionable insights.

In reality, there's often a gap between what organisations can learn from analysing their own data and what it can tell them about the wider market. They may have a clear view of their own customers, but what about the bigger picture of changing consumer behaviour and expectations for a multi-channel experience?

Effective data analysis should give

valuable insights into the market context for your organisation's performance, up-to-date consumer trends and behaviour, and help you to understand any new threats you're facing.

It's not just about using data to understand how your brand is performing, but another way to explore how your business needs to evolve.

This is where it can really pay to work with an external organisation like Barclays. As a data-rich business, we can not only share how data can empower the core business, but provide a uniquely broad perspective on current consumer spending in an evolving retail landscape.

Clearly, investing in data insights needs to provide a demonstrable return on investment and we firmly believe there are huge commercial benefits to be gained by working with a specialist partner offering bespoke solutions to complement retailers' own data capabilities in a flexible way to help them get more 'bang for their buck'.

There is no one-size-fits-all solution, but working collaboratively can help you better understand what is driving your successes and creating new challenges, so you can make the right strategic decisions to thrive in these changing times.



**Effective data analysis should give valuable insights into the market context for your organisation's performance**



## BARCLAYS MARKET AND CUSTOMER INSIGHTS

Barclays Market and Customer Insights unlocks a wealth of customer transaction data and brings it to life so you can take action and shape your strategy. We can help you keep up-to-date with spending trends, monitor your market position and enhance your understanding of customer behaviour, based on actual customer spending.

Leveraging anonymised data from our 250 million monthly customer transactions in the UK can help you understand who your customers are and how, when, and where they spend.

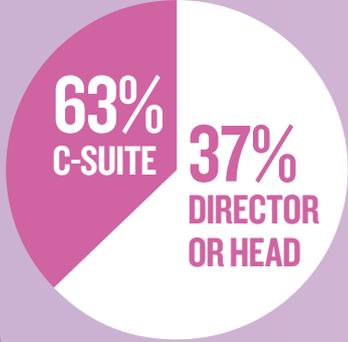
For further information on how Barclays Market and Customer Insights can help you, visit [insights.uk.barclays/MCI](https://insights.uk.barclays/MCI) or email [contact-MCI@barclays.com](mailto:contact-MCI@barclays.com)

# METHODOLOGY

To produce this report, Retail Week conducted research with...

**57** retailers

## RESPONDENTS



**50**

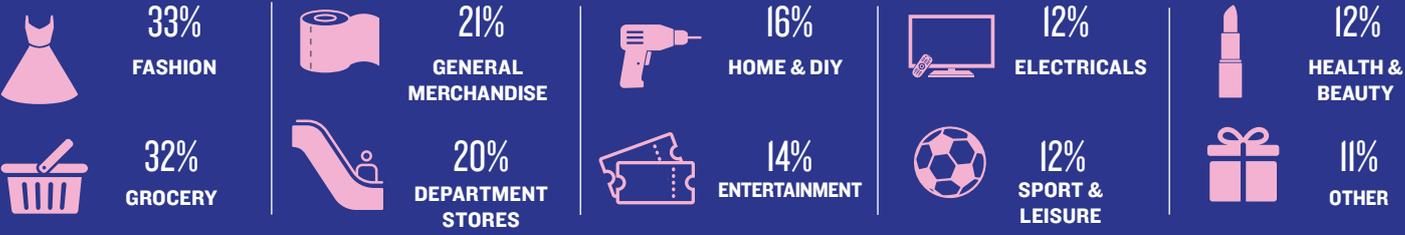
survey interviews with retail data leaders



**7**

in-depth interviews with leaders in data strategy

## Which sectors did we speak to?



*Some retailers sell across more than one category*

## What do their business models look like?

16%



BRICKS AND MORTAR

23%



ECOMMERCE

61%



MULTICHANNEL

# SURVEY SNAPSHOT



**76%**  
of retailers are planning to **invest more** in their data strategies



**70%**  
feel their **ecommerce systems** could be improved through **better data analysis**

**Upskilling data teams** is a top data investment priority for retailers



**36%** say they **don't have sufficient data skill sets** within their organisation



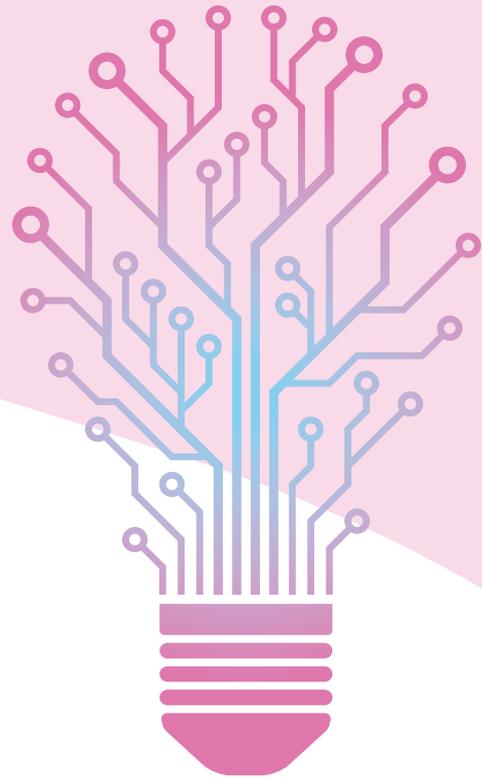
**54%**  
of retailers would like to gain more data on **online browsing and buying patterns**

**Two-thirds** of the retailers we surveyed would like **analytical support** from an external data provider



# INTRODUCTION: THE POWER OF DATA





**D**ata analysis empowers retailers on many fronts. It can form a better understanding of each shopper's journey, increase innovation in product development, boost marketing ROI and create a more streamlined and accurate supply chain. With the multitude of decisions that must be made in each of these areas, possessing knowledge gleaned from data to support them feels like a luxury after years of guesswork.

It's unsurprising then that businesses are keen to harness their data to boost the bottom line. But, unfortunately, it's not always that easy. Whether businesses gather data themselves or employ a third party to do so, data collection is perhaps the easiest part of the process. Effectively harnessing the data is much more difficult.

### **Drilling down**

To avoid drowning in information overload, retailers must identify specific questions and then work out the right data to provide the necessary answers. What do retailers need to know and how are they going to measure it? For data to be of real use, clear, productive conclusions must be drawn and applied. The golden rule is to remember that data is only as valuable as the insights drawn from it.

Sounds like a challenge? It's worth it. When done right, data analysis offers businesses boundless potential for growth.

Take Netflix as an example: the media-streaming service has been a data-driven company since its inception. Netflix's algorithm analyses customer preferences to make personalised content suggestions that will keep viewers hooked. Yet it also uses this information throughout production of its Netflix Originals content to make decisions on everything from choosing the most cost-effective shooting locations to which languages to dub in first.

From its humble beginnings as a DVD-by-mail rental service, Netflix has become a digital tour de force, reaching 81.5 million households globally.

# CHAPTER I: HOW RETAILERS ARE HARNESSING DATA



**T**o get a snapshot of how retailers are accessing and utilising data in 2019, and their plans for the future, we surveyed senior figures across the retail industry, in job roles including CIO, CTO and head of data.

While data was once the domain of financial teams and marketers, retailers are now applying it to broader tasks across the business.

When asked what business purposes they use data for, 56% include 'making internal operations more efficient' in their top three, 52% name 'improving innovation and product development', while 50% cite 'boosting customer acquisition and retention'.

## FOR WHICH BUSINESS PURPOSES DO YOU USE DATA?



Conversely, only 8% rank 'improving risk management processes' as their number one use of data, and just 26% name it in their top three. This is surprising given the range of risks UK retailers are currently facing, particularly in the financial domain, such as credit issues.

For example, the credit risk for UK general retailers increased in the 20 months to January 2018, and the sector was downgraded from a BB to BB- credit rating in April 2017. Over that period, some chains were forced to consider closing stores, while others such as Toys R Us and Maplin fell into administration.

### Winning with data

We then asked retailers to name the top three business areas they believe could be improved by better data analysis. Ecommerce systems wins out, with 70%. This is followed by marketing and advertising (64%), suggesting that many retailers feel they haven't yet nailed using data to optimise their marketing output.

Online customer service comes third with 56%, which perhaps offers some insight into the emphasis on user experience

## RETAILERS FEEL BETTER DATA ANALYSIS COULD IMPROVE THEIR:



Ecommerce systems  
70%



Marketing and advertising  
64%



Online customer service  
56%



In-store customer service  
42%



Warehouse & supply chain optimisation  
36%



Colleague engagement  
22%



Last-mile services  
10%

(UX), customer journey and AI-powered tools such as chatbots.

These areas are prioritised above in-store customer service (42%), warehouse and supply chain optimisation (36%) and colleague engagement (22%), indicating that retailers continue to see data largely working to improve online services rather than offline functions.

### **Cutting-edge delivery**

Just 10% name last-mile services in their top three areas that could be improved by better data analysis – an unexpected result given the increasing competition in premium delivery services.

According to PwC research from May 2019, 88% of customers say they would pay more for accelerated or same-day delivery, and top brands are increasingly catering to this. Amazon will launch 30-minute drone delivery to some customers in the coming months, while Uber Eats is planning to start testing drone delivery in urban areas

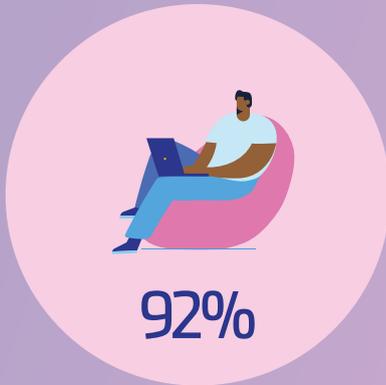
## **DATA INVESTMENT PRIORITIES OF A CYCLING BRAND**

**“We’re turning our focus quite heavily towards our supply chain, to optimise stock flow and stock holding. Inventory continues to be a huge cost to the business, therefore having the right stock in the right place at the right time massively improves cash flow”**

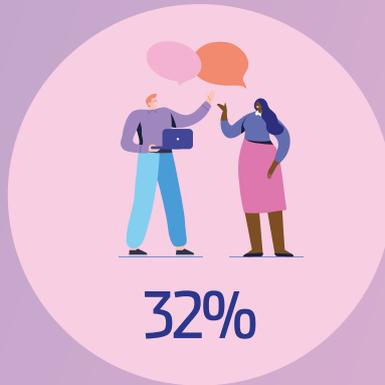
**RETAIL DIRECTOR**



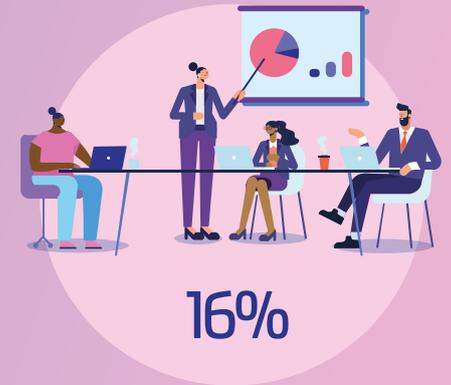
# HOW DO RETAILERS ANALYSE THEIR DATA?



use internal data teams



hire external data management agencies



hire consultancy firms

and Domino's is looking into delivery by autonomous robot. Retailers failing to invest in this technology face losing out to those at the cutting edge.

Asked to tick all options that apply, 92% of retailers surveyed report that their data is analysed by an internal team, while 32% say they use external agencies and 16% opt for consultancy firms.

In terms of in-house resources, 58% say they have sufficient data skill sets within their organisation, but a large proportion (36%) say they don't, while 6% don't know if they do or not. This is unsurprising given that 48% of those surveyed report that they had previously struggled to find suitable candidates for data roles.

Working with third-party data providers is popular, with almost half of respondents reporting that they already do so. Gaining expert advice and ensuring the security of data are among the reasons why; in a post-GDPR era it's reassuring that so many retailers have data security front of mind.

## DO RETAILERS HAVE SUFFICIENT DATA SKILL SETS IN HOUSE?



The majority of respondents note that they have in-house teams performing business data analysis, but two-thirds of the retailers we spoke to would also like analytical support from an external data provider in the future.

When asked which areas their internal data resource is unable to solve business problems, retailers name dealing with increased costs, predicting consumer behaviour, monitoring in-store shopping habits, data security, finance and recruiting experienced sales staff, among others.

In terms of the services respondents feel they require from external data providers, analysis support is the most popular, with 68% of the vote. Half report that they could use help on their data feed, while 36% would like to use external providers for strategic consultancy.

### Areas for investment

Increasing the amount of consumer contact information in their possession (56%) was the top priority for the 50 retailers surveyed.

## WHAT ARE THE KINDS OF SERVICES RETAILERS WOULD LIKE FROM AN EXTERNAL DATA PROVIDER?

68% Analysis support

50% Data feed

36% Strategic consultancy



Online browsing and buying patterns came second with 54%, while the offline equivalent – in-store buying and browsing patterns – was down in seventh place, with just 26% naming this as a data type they were looking at. Again, this suggests that retailers are more interested in finding out how they can improve the online customer experience, despite a strong desire in the industry to ensure that bricks-and-mortar stores do not perish.

It may be that many retailers associate data with the online sphere, but with consumers now demanding a seamless experience between online and offline, retailers will benefit from incorporating both into their data priorities.

In-store e-receipts are a tried and tested method in the UK for doing exactly this, but retail giant Alibaba has upped the stakes significantly since launching Hema in 2016 – a cashless supermarket-cum-distribution centre.

Rather than aiming to replace traditional

retail, Hema stores instead integrate physical shopping with digital solutions. Customers use Hema's mobile app to scan barcodes throughout the store, which provide product information and recipe ideas. By utilising data from all previous purchases – both in store and online – Alibaba offers shoppers the option to order the same items to be delivered to their home in the future, thus saving a trip to the store.

Customers can pay through their Taobao or Alipay accounts – both platforms are owned by Alibaba – and at select Hema stores, shoppers can even pay by scanning their faces at kiosks. The stores also double as distribution centres, with employees filling online orders. Typically, customers within a 3km radius can have their groceries delivered in half an hour.

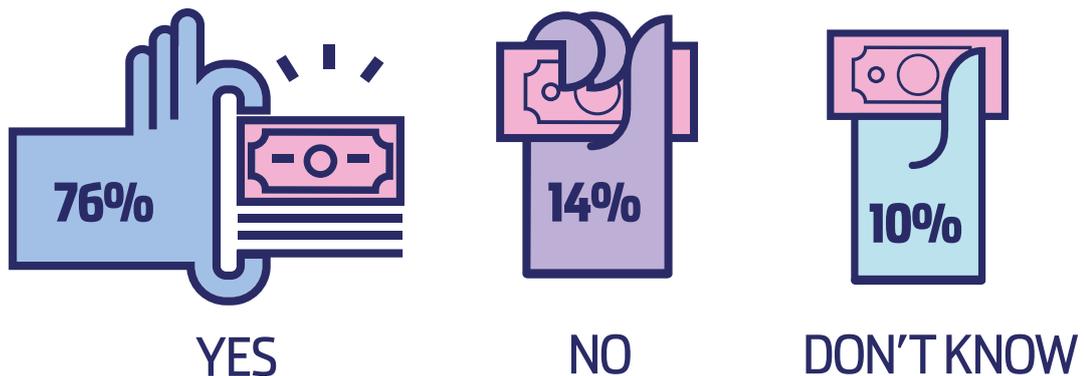
Regardless of where in the business the investments are being made, retailers are certainly focused on improving their data strategies, with more than three-quarters of respondents planning further investment.

**54%** of retailers would like to gain more data on online browsing and buying patterns...



...compared with only **26%** who would like to gain more data on in-store browsing and buying patterns

## ARE RETAILERS PLANNING TO INVEST MORE IN THEIR DATA STRATEGIES?



This is necessary for the industry given the rapid evolution of tech like AI, and the constant race to keep up with data powerhouses such as Amazon. Approaches that might have been innovative just a year ago are simply no longer competitive.

Future uses of AI technology should incorporate all types of data – including product information, order requirements, traffic data, weather conditions and delivery staff deployment – to allow retailers to precisely match multiple factors in order to fulfil a customers' need.

### Data housekeeping

Upskilling data teams and cleaning existing data were the biggest investment priorities, with both areas named in the top three by 74% of respondents.

Improving technology infrastructure came third (63%), followed by purchasing external data (42%). Just under a quarter (24%) put hiring third-party agencies or consultancies to analyse data in their top three – an essential service for organisations that lack the in-house capacity to properly analyse their data – with the same proportion of the vote going to implementing AI software.

# RETAILERS' TOP THREE DATA INVESTMENT PRIORITIES:

1 Upskilling data teams

2 Cleaning existing data

3 Improving technology infrastructure

This AI oversight could cost the three-quarters of retailers not currently planning to invest in this area, however.

According to 2018 research from Gartner, consumers are increasingly embracing AI. The research revealed that 58% of consumers would use AI to save time, while 53% would use it to save money and 47% would do so to more easily access information.

Retailers already harnessing this technology include Zara, Tesco and H&M, with an augmented-reality app, van routing and AI-powered analysis, respectively.

## DATA INVESTMENT PRIORITIES OF A MULTICHANNEL LIFESTYLE RETAILER

“We’re not investing within the supply chain, but we’re supporting the technology we’ve already got. We’re involved in a platform transition next, so the investment is around replatforming and ensuring our data is purged and clean for that transition”

**GLOBAL HEAD OF SUPPLY CHAIN AND LOGISTICS**



# CHAPTER 2: IN-HOUSE VS THIRD-PARTY DATA SERVICES



**O**ptimising data is challenging. So many components make up the process – such as identifying questions, data collection, analysis, drawing conclusions, making and applying recommendations, and measurement – with all stages working flawlessly to achieve the desired effect.

Yet, speaking to retailers across a range of sectors, it quickly becomes clear that there's no one-size-fits-all solution for how or where this process takes place.

While some retailers have built strong in-house teams with the capability to complete each and every task themselves, others work with external agencies or consultancies on some or all components of the data process in order to fill internal knowledge gaps, increase resource or embark on more ambitious projects.

### Keeping it in-house

Shop Direct, owner of Very and Littlewoods, told Retail Week that the business keeps much of its data analysis in house thanks to its “strong data skill set”.

The retailer has carefully invested in developing its internal analytics and data science capabilities in recent years although, with fast-moving markets such as data, there's always more to be done.

Andy Burton, Shop Direct's CTO, says:

“We still want to bring in new tech and data talent and have gaps that we're looking to fill. Bringing in more big data engineers is high up on our current agenda.”

While Shop Direct largely keeps data analysis in house, it does work with some third-party data suppliers. Burton explains that these are most of use “when they can provide data products that are non-core to our strategic aims more quickly than developing a solution in house”.

This speaks to a common trend, which sees retailers employ outside services to quickly and effectively find a data solution when they have the skills – but not the resource – to do it themselves.

As part of its digital data strategy, Shop Direct has recently “handed the power to deliver customer service innovation to a team of frontline advisors” with the launch of its ‘customer closeness centre’. This innovative project blends agile principles with data to deliver a constantly evolving and improving customer experience.

The new team operates in four-week cycles. The first two weeks are spent dealing with customer queries via phone and webchat to identify improvement opportunities, while the second two are used to gather insight and data in order to rewrite processes and test any new technology.

And the brand is already seeing progress.



**We still want to bring in new tech and data talent, and have gaps that we're looking to fill. Bringing in more big data engineers is high up on our current agenda**

**Andy Burton, CTO, Shop Direct**



Its team has shaped new technology, including an online tool that helps resolve issues with a single call and allows news alerts to be shared with all 1,500 customer service colleagues. They have also redesigned the process behind key customer experiences such as offline sales and lost goods.

Burton says that in 2018 almost 30% of customer contact came via digital channels, including the brand's AI-powered Very Assistant chatbot, webchat and social media, noting that the new team "supports our plans to continue enhancing our digital customer service capability".

There are certainly benefits to keeping as much data work as possible in house. A multichannel lifestyle retailer told Retail Week that, from a supply chain perspective, all analysis is done in house – albeit sometimes using externally acquired applications.

The retailer's global head of supply chain and logistics explained: "The analysis around data often gives valuable insight, and we'd rather retain that inside the business than have a third party holding it. We like to keep our internal business data on site, and we don't use third-party data providers because we don't need someone else's data – it's our own business's information we want the insight into."

### Resourcing challenge

While they explained that the organisation currently has a sufficient data skill set, they did add that "there's always a challenge around resourcing" and would potentially use external insight in the future.

This sentiment was echoed by the head of customer data for an F&B specialist retailer, who said that the hardest role to fill is that of web analysts.

"It's extremely in demand in the market and we're based outside of London, so even if we pay the equivalent London rate we have to convince them to schlep out here and pay for travel. This has been a real challenge."

Meanwhile, a cycling brand told Retail Week that its specialist status means it prefers to keep data in house. While the brand does use a small amount of agency

and consultancy support for specific tasks, most data-related work is done by a strong in-house team.

The brand's retail director said: "We feel we're best placed, being a specialist retailer, to understand and analyse our own data."

This has led to a big win for basket data within the business: over the past few years the organisation has gone from matching just 5% of in-store sales to customer data to well over 50%, thanks to the introduction of electronic receipts that allow it to capture email addresses and analyse basket data.

However, the brand's retail director did outline the benefits of their third-party support. "They offer real specialist insight and can help build up data capabilities over time," they said. "You have to be careful not to get swamped by data – our partners have helped us focus on insight rather than just vast swathes of data for data's sake."

## NEXT STEPS FOR RETAILERS

- Ensure you have a clear understanding of your own data capabilities and any gaps in your knowledge
- Decide on the business critical questions you need your data to address and the level and depth of any external support you require
- Consider working with partners with the ability to complement your data capabilities and add value to your business



## Engaging with a third party is like an extension of our business, and it has allowed us to get access to a high level of expertise quickly

Tom Summerfield, head of commerce, Footasylum



### Blending internal with external

Footasylum makes a strong case for combining in-house talent with third-party specialists. Tom Summerfield, head of commerce at the footwear and apparel retailer, told Retail Week it uses both a long-standing internal business intelligence team and external support from AI specialists.

The in-house team works on business-as-usual reporting, while the external team applies machine learning and AI algorithms to the data – a technique that has thrown up “some really cool results”.

Why has Footasylum gone down this blended route? It’s no secret that AI and machine learning are going to be hugely significant in the coming years, and the retailer was keen to get ahead of the curve. But with in-house resource being precious, extra capacity was required to get AI and machine learning right.

Summerfield explained: “Engaging with a third party is like an extension of our business, and it has allowed us to get access to a high level of expertise quickly. In Footasylum we’re never short of industry-leading thinking, but resource often means we can’t deploy it, so to leverage the third party in this instance is really cool and it’s allowing us to pioneer some of these strategies.”

Retail Week also spoke to the chief data officer of a leading UK grocer that boasts an extensive in-house team, but also employs outside tools and consultancy to boost capacity. The business has invested heavily in internal data expertise and training, with a 900-colleague-strong data community.

They said: “As we seek to grow our data culture, we believe it’s important our colleagues outside the data profession understand the foundations on which

analytics and data science is built. To date, more than 400 colleagues have taken advantage of our training programme, which was built in-house.”

The grocer’s data specialists have built a number of proprietary tools for specific business-driven use cases, including tools that help commercial teams select the best possible products for customers, and a product classification and matching tool that helps commercial teams monitor price competitiveness and distinct products. Yet the brand also uses a variety of external tools to help manage and analyse this data.

The chief data officer added: “We’re constantly inspecting and adapting our operating framework to make sure our data analysis is conducted in the most rigorous and granular way, and closely tied to business outcomes.”

### NEXT STEPS FOR RETAILERS

- Focus on data solutions that will provide you with actionable results, not just the latest technology
- Select a partner that can demonstrate a clear understanding of the business issues you are trying to address

# CHAPTER 3: DATA AS A SUPERPOWER



**W**hile the type of data gathered hasn't altered hugely over the past few years, AI is now able to identify many more insights from this data than a human would be able to – or would have the time to.

It can pinpoint patterns in consumer data to draw conclusions about customers, allowing retailers to improve their customer service. This evolution in analysis is the key to powering CRM capabilities within any business.

Tech titans such as Amazon, Spotify and Netflix use AI to provide highly relevant and personalised product or content recommendations. These systems continually adapt to users' likes and dislikes to tailor new recommendations in real time. Meanwhile, Sky's futuristic machine learning model recommends content according to the viewer's mood.

The more personalised consumers' online journeys become, the more they expect this service from every brand they interact with – leaving many retailers racing to meet demand.

Indeed, recent Retail Week research found that 50% of retailers are currently using AI, while a further 33% have plans to invest in this area.

It seems they are serious about this investment too, with 21% planning to invest somewhere between £1m and £20m in AI within the next 12 to 36 months. Of those interviewed, 65% reported that they understand AI 'well' or 'very well'.

US retail giant Target was one of the first retailers to adopt consumer-facing AI tools. In 2017 it integrated Pinterest Lens into its app, which allowed consumers to take a photo of a product while out and about to then be presented with similar items on Target's website.

Similarly, Asos' Style Match app enables customers to upload a photograph and then search the brand's site for similar items to the image.

AI isn't just being used in a customer-facing capacity, however. Walmart is employing the technology for a different

purpose: it's using AI-powered cameras to track checkout theft in 1,000 stores, to detect items that move past the register without being scanned.

And Ocado has unveiled its 'cobot' – a collaborative robot that will support technicians in the company's warehouses. Through the use of machine learning and AI, the cobot will learn through observation, offering a second pair of hands to human employees for completion of tasks that require the strength or precision that a human cannot provide themselves.

Yet, as the impact of AI grows, it's vital to acknowledge the scope of the challenge. While countless brands have dipped a tentative toe in the AI waters in the past few years, there are very few AI products that can be bought off the shelf, meaning serious investment is necessary in exchange for real results.

## Reducing labour and boosting CX

Our qualitative research suggested that AI is predominantly being used either to "superpower" existing in-house resources, allowing retailers to be exponentially more productive, or to automate less rewarding jobs.

Schuh is considering harnessing AI to minimise labour on easily automated tasks. Sean McKee, director of ecommerce and CX at the footwear retailer, told Retail Week: "We see the most obvious application in repetitive jobs that require a lot of data. We're looking to automate and improve those functions that require big data management."

Schuh is also looking at AI-powered CRM and customer data capability, which McKee says will help the brand to think long term.

He explained: "We acknowledge we were extremely product-centric previously, with a high level of expertise, but less maturity about the life of the customer over time and how to invest in that relationship.

"It's now less about 'where are we today or this week?' and more long-term, which is why we're looking at CRM, which has huge potential."



**We see the most obvious application of AI in repetitive jobs that require a lot of data. We're looking to automate and improve those functions that require big data management**

Sean McKee, director of ecommerce and CX, Schuh



### The power of CRM

McKee explained that CRM can work to fill a knowledge gap within organisations. He said: "Day to day, we have clearly defined objectives. But we're measuring what hasn't necessarily been measured before, so there's a lot of A/B testing. We don't have a big group of data scientists mining our data to find out what we don't know. This is why we're investing in AI-powered CRM."

AI is already a vital component of CRM. In 2015, the five largest CRM vendors by market share were Salesforce, Oracle, SAP, Adobe and Microsoft. Together, these companies make up almost half of the total CRM market.

And each of these companies has invested in internal development around machine learning and AI, as well as buying AI start-ups. An IDC report in partnership with Salesforce predicted the use of AI in CRM will boost global business revenue by \$1.1trn (£866bn) between 2017 and 2021.

It also predicted it could create 800,000 direct jobs and 2 million indirect jobs globally, surpassing the number of roles lost to automation.

## NEXT STEPS FOR RETAILERS

- Focus on data that can deliver real insights into the changing needs and behaviours of your customers to help inform your strategic decisions
- Ensure you have a comprehensive view of how consumer purchasing behaviour is changing in different channels across the market

## ROI from social strategies

Footasylum's pioneering venture into AI is already reaping rewards. Earlier this year, the footwear and fashion retailer reported a return on advertising spend (ROAS) 30 times higher than the industry average after swapping to its AI-driven social marketing strategy.

Working with an external agency, the brand applied AI and machine learning algorithms to its social media campaigns, resulting in an 8,400% ROAS – 10 times higher than the brand's standard marketing return.

AI was used to assemble a predicted customer view of those most likely to engage with – and buy – Footasylum's products. These customer profiles were then leveraged to target similar audiences over social media, attracting new customers.

Footasylum's Summerfield explains that, having already rolled out an AI-based social marketing strategy, the next step is

expanding that automation, particularly where it relates to CRM and hyper-personalising the customer experience.

"It's not about replacing humans," he says. "We're finding we need more humans to look after it all."

Instead, AI and automation is about "superpowering our output and allowing us to have these one-to-one relationships with consumers at scale".

What does AI have in store for retail as a whole? Summerfield noted that some businesses remain wary of machine learning, but that using a third-party agency helped Footasylum to bypass this hesitancy. Going forward, he predicts, companies will need to "turn, face and harness this tech, because if you don't your competitors will be winning".

"Machine learning and AI is the future of commerce, whether businesses are approaching it by building internal teams or leveraging third parties to do it," he concluded.

## NEXT STEPS FOR RETAILERS

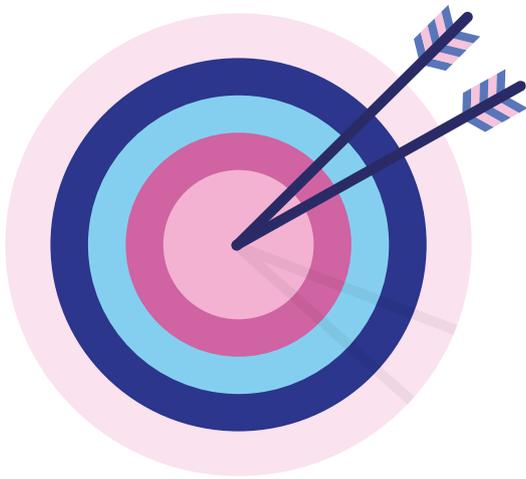
- Think about how your data can help you understand what's working in different locations and segments so you can prioritise future investment
- Ensure you have robust metrics in place to measure the return on your data investment

**"It's hard to see where the use of AI is heading as customers move over to voice and video search. But one of the things we continue to look at is the single customer view – becoming channel agnostic and viewing a shopping mission as starting and finishing anywhere, irrelevant of what the channel is. Who can make that happen will sort the winners from the losers"**

**RETAIL DIRECTOR AT A UK CYCLING BRAND**

# CHAPTER 4: HYPER-PERSONALISATION





One striking consequence of AI is that it empowers retailers to take personalisation further than ever before. Retailers have long agreed that personalisation is vital when it comes to marketing and customer service, but, with finite resources, capacity has been limited.

The earliest forays into personalisation came in the form of audience personas, crafted with little more than gut instinct, while more recent efforts have included segmentation, using data gathered from social media accounts and in-store transactions.

But now AI is enabling an intricate level of personalisation on a huge scale. Ultimately, hyper-personalisation takes traditional personalisation techniques further: it's the difference between using a customer's name in an email and using browsing, purchasing and real-time data across multiple channels to tailor products, services and content to each individual.

Can you afford to ignore hyper-personalisation? A recent study by Monetate and Worldwide Business Research found that 93% of businesses with advanced personalisation strategies increased their revenue last year.

And, according to a future-gazing report by Hilton, the hotels of 2119 will be equipped with tech that allows every space, fitting and furnishing to continuously update to respond to each individual's real-time needs. We might not be quite there yet, but it seems we're on the way.



## Our strategy is to know our customers better than anyone else, so as to better anticipate and meet their needs

Chief data officer of a leading UK grocer



### Amazon: personalisation pioneer

Amazon is without doubt one of the biggest pioneers of hyper-personalisation, having focused on customer needs and desires for years. While features such as one-click purchasing, recommended products, 'bought together' and tailored homepages don't seem revolutionary these days, they were when Amazon first launched them.

Indeed, it's because of Amazon, and a handful of contemporaries, that other retailers have had to step up their game: ignoring online behaviour simply wasn't an option any more. And, while many brands see personalisation as a way to build brand loyalty, Amazon has very clearly translated that into sales. In fact, the tech giant claims that 35% of its sales come from recommendations.

After years of using an algorithm based on basket data – like many are doing now – Amazon has moved to a stage of predictive personalisation, powered by AI and machine learning. The tech scrapes data and evaluates swathes of consumer purchase information, as well as search histories, in order to identify which items consumers are looking for as well as those they will love.

So why, if retailers have successfully been performing data-based personalisation for years, is AI-powered hyper-personalisation now vital?

With industry leaders such as Amazon setting the bar, consumers come to expect a high level of personalisation, and in order to achieve this retailers must target increasingly granular segments.

This is simply too labour-intensive for humans to achieve, but AI can do it. And the tech is becoming increasingly advanced: AI is now able to perform dynamic segmentation based on the understanding that consumer behaviour is not a constant.

This means that if an older consumer is browsing for a gift for a younger relative, for example, the AI will use real-time data to present them with the most appropriate offers at that moment in time, and avoid using outdated targeting data. Once that consumer goes back to shopping themselves, their normal targeting data will be applied again.

And it certainly seems like progressive retailers are putting hyper-personalisation at the heart of their business, along with the data needed to facilitate it.

Speaking to Retail Week, the chief data officer of a leading UK grocer explained that personalisation is embedded at the heart of its strategy: “Our strategy is to know our customers better than anyone else, so as to better anticipate and meet their needs.

“Of course, this all starts with ensuring we’re capturing the data that exists in our operational/transactional systems and publishing it to our cloud-based insight-analytics ecosystem.”

When it comes to data, they said, their investment is carefully balanced between feature builds on their analytic software ecosystem, data publication, creation of new data products and machine learning.

The head of customer data at a UK F&B specialist told Retail Week their email marketing strategy has rapidly become more personalised in recent years.

They explained: “Three years ago, we’d send an email three days a week. Now, we might send 50 variants instead, to specific audiences.”

This has coincided with “a journey of change” for the brand, which has gone from having plenty of data but little to no analytical capability, to having skilled data analysts across the business.

And the benefits of this personalisation? “We’ve grown the business well through

extended personalisation, and improved ROI,” the head of customer data said.

“It’s still not as good as we want, but we didn’t even measure it before. Using data and analytics allows us to invest faster and more aggressively with more confidence. It’s having the data to give us confidence that we’re creating positive lifetime impact despite heavy upfront investment.”

### Lifetime customer value

Meanwhile, Footasylum’s Summerfield said the brand will “value personalisation over everything moving forward” as “consumer expectations mean you have to be trying to do that”.

He noted that if you can make hyper-personalisation work well, then you increase the lifetime value of your customers. In the past, he explained, the brand has worked on personalisation around email and social marketing, and now wants to repeat this process on its website and in store to create a seamless customer experience.

“It’s all about showing the right customer the right thing at the right time,” he said.

Summerfield added that Footasylum’s loyalty scheme FA UNLCKD, which launched in 2018, is allowing the team to understand customer behaviour at an individual level. “Supermarkets are the best at loyalty schemes as they’ve been doing it for a while,” he said. “That’s what we’re striving towards.”



**It’s having the data to give us confidence  
that we’re creating positive lifetime impact  
despite heavy upfront investment**

Head of customer data at a UK F&B specialist



# CONCLUSION: KEY FINDINGS



# 1. EMBED A STRONG BUSINESS DATA STRATEGY AT THE CORE OF YOUR ORGANISATION

With over three-quarters of respondents surveyed for this report planning to invest more in their business data strategy, the majority of retailers know this is an area they can't afford to fall behind in. Data won't work if it's simply an add-on: build your business around a strong, well-thought-out data strategy for confident, effective decision-making across the board. It's equally important to build solid foundations for this strategy in the form of your data ecosystem. Today's retailers are aware that sometimes you have to tear processes down in order to build better ones, with 63% of respondents naming improving technology infrastructure as an investment priority.



## 2. INVEST IN AI AND AI-POWERED CRM

AI and CRM are going to be key tools to keep up with the competition in the data arena. Of course, you could assemble a talented team of data scientists to sort through your customer data in-house but, without AI, the scope of the project is limited, and without CRM, applying learnings on a hyper-personalised level will be near impossible. This revolutionary tech will take what your in-house team is doing and apply it on a massive scale.

“Not all retailers are leveraging the true power of data. If you want to create a winning data strategy don't be seduced by technological solutions, but focus on what you need to know about your customers to be successful and tailor your data solutions accordingly”

**RAJ PATTNI, HEAD OF INSIGHTS PLATFORM AT BARCLAYS**

### 3. IF YOU LACK IN-HOUSE KNOWLEDGE OR RESOURCES, SEEK EXTERNAL SOLUTIONS

Our retailer interviews suggest that there are two major reasons businesses seek external data solutions. The first is that bringing in outside expertise from people at the top of their game can fill in-house knowledge gaps and empower brands to leapfrog the competition with confidence. And the second is that, while many brands do feel confident in the talent and skills of the data team they've assembled, bringing in outside tools allows them to hugely extend their capacity and output. This can be through hiring a third-party agency or consultancy, or simply looking to third-party data or analytics tools.



RWRC  
**CONNECT** <sup>^</sup>  
BY ASCENTIAL

In partnership with  
 **BARCLAYS**