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Determining your analytics “intelligence” level



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In today's retail landscape, little debate exists about the importance of data analytics in decision making. The applications of analytics in the retail industry are wide-ranging and include merchandise assortment, geographic site selection, store layout, pricing and markdown strategies, e-commerce site design, enhancing the shopper experience, and all the various applications within direct brand-consumer interactions.

But while the debate about the importance of analytics has long been settled, the level of insights derived, commitment to using/sharing, and success with integrating insights into business decisions vary widely from retailer to retailer – particularly as they relate to brand-consumer interactions. Some retailers use analytics primarily as a way to measure and understand past consumer behavior, while leaders use its power to predict future behavior and drive smarter brand-consumer interactions. In order for an interaction to be deemed as “smart”, it must be:

➤ **Valuable to the brand:**

The interaction's direct and/or indirect impact must be higher than the cost to enable, inform and execute it.

➤ **Valuable to the consumer:**

The interaction must provide the consumer with what he/she needs at that moment, regardless of whether those needs are informational, emotional or transactional.

Defining the Brand-Consumer Interaction

The various forms of brand-consumer interactions are numerous, with some initiated by the brand, some by the consumer, and some which can be initiated by either. Before we dig deeper into the idea of smarter brand-consumer interactions, let's first outline the types of interactions we're talking about.

Interaction Type	Brand-Initiated	Consumer-Initiated
Email (Promotional or Triggered)	●	
Social	●	●
Direct Mail (Promotional or Triggered)	●	
SMS / Text (Promotional or Triggered)	●	
Customer Service Support	●	●
Website Visits		●
Store Visits		●
Paid / Organic Search		●
Retargeting	●	
Digital Display Media	●	
Non-Digital Media	●	

It's important to note that the initiator of the interaction does not impact a brand's ability to make it smarter with analytics - with the right data and a plan to use that data, ALL interactions can be smarter.

Smart interactions Don't Happen Accidentally

When a diner at a restaurant asks a waiter for a recommendation, an average waiter may simply list off the most popular entrees, as chances are that any "random" guest is likely to enjoy a popular entree more than a less popular one. But a more astute waiter knows that a few data points will greatly increase his ability to align a recommendation with the diner's interests. Does the diner prefer spicy or mild food? Is she in the mood for a heavy meal or something lighter? Does she have any dietary restrictions? The waiter also knows that there

are dozens of questions he could ask, but that the value of the answers may begin to wane after the first few key questions (as would the diner's patience). The waiter's data capture process is highly manual and he doesn't have an automated means to interpret that data, but that didn't stop him from using data to the best of his ability.

While each retailer's level of data capture and integration maturity is different, few have a dilemma similar to the waiter. If anything, they have the opposite problem – access to more data than they know what to do with. All retailers should have a robust data capture strategy which encompasses purchase, preference, brand engagement, social, demographic, psychographic and other data, but without the focus, discipline and tools to transform that data into actionable insight, it carries little value. Simplicity is your friend here – follow the waiter's approach and start with a clear understanding of the questions you need to answer at each brand-consumer interaction, as those questions will define the data, the infrastructure and the tools you need to make those interactions smarter. For most retailers, the common key questions will sit across 5 high level insight categories:

- Decision and Lifestage Continuum Locations
- Product Propensity
- Purchase Drivers
- Marketing Receptivity
- Customer Value

The table below shows some typical questions which you likely need answered within each category. Note that the most relevant questions will differ from retailer to retailer.

Insight Category	Questions to Answer
Decision and Lifestage Continuum Locations	<ul style="list-style-type: none"> ▪ Is he/she currently Learning, Evaluating, Deciding or Buying? ▪ Is he/she a Prospect, One-Time customer, Repeat customer or Loyal customer? ▪ When is he/she most likely to buy? ▪ Has he/she recently moved, married or had a child?
Product Propensity	<ul style="list-style-type: none"> ▪ Which products is he/she most likely to buy next? ▪ Is he/she likely to be a single category shopper or a multi-category shopper?
Purchase Drivers	<ul style="list-style-type: none"> ▪ Which product attributes most strongly impact his/her decision to buy? ▪ Is it quality, feature set, price/value or something else?
Marketing Receptivity	<ul style="list-style-type: none"> ▪ Is he/she likely to be influenced by marketing, or are purchase decisions largely made independently?
Customer Value	<ul style="list-style-type: none"> ▪ What is his/her historical value, and what is his/her potential future value?

To be fair, the seamless acquisition and distillation of data to answer these questions is not always easy. But by starting with the right insight "wish list", brands are in a much better position to focus their data capture and analytic efforts in the areas that matter most. Without clarity around the wish list, brands tend to focus too heavily on certain areas and not enough on others. This leads to a poor allocation of resources and discontent among marketing decision makers when the insights don't meet their needs.

What is Your Analytics “Intelligence” Level?

So what does a high level of analytics intelligence look like compared to a low level? See the table below and assess where your capabilities stack up against leaders, laggards and those in between.

Insight Category	Leaders	Mid-Range	Laggards
Decision and Lifestage Continuum Locations	<ul style="list-style-type: none"> Website interactions, social activity and preference data captured at individual level Predictive models used to plot consumers along the continuums 	<ul style="list-style-type: none"> Some interaction data captured at individual level Business rules used to plot consumers along the continuums 	<ul style="list-style-type: none"> No ability to plot consumers along the continuums Primarily use purchase data to understand customers
Product Propensity	<ul style="list-style-type: none"> Purchase, interaction and other data captured at individual level Multiple product / category propensity models used to drive relevancy into both brand-initiated and consumer-initiated interactions 	<ul style="list-style-type: none"> Purchase history used to drive relevancy into brand and consumer-initiated interactions 	<ul style="list-style-type: none"> Marketing efforts tend to be product-centric rather than consumer-centric No understanding of the customer purchase journey
Purchase Drivers	<ul style="list-style-type: none"> Attitudinal segmentation is used to define consumer motivations Brand and consumer-initiated interactions are customized based on consumer motivations 	<ul style="list-style-type: none"> Market-level rather than consumer-level attitudinal segmentation is used to inform marketing messaging 	<ul style="list-style-type: none"> Purchase driver insight is not used to inform brand-consumer interactions
Marketing Receptivity	<ul style="list-style-type: none"> Incremental Modeling is used to identify and invest in consumers with a high level of marketing receptivity 	<ul style="list-style-type: none"> Test & Learn frameworks are used to identify marketing receptive consumers 	<ul style="list-style-type: none"> Basic Recency, Frequency, Monetary segmentation drives most marketing programs Response rates are used as the primary predictor
Customer Value	<ul style="list-style-type: none"> Lifetime Value Models are in place to identify upside potential at the consumer level Consumer investment decisions are aligned with growth potential 	<ul style="list-style-type: none"> Upward and downward value migration analyses inform consumer investment decisions 	<ul style="list-style-type: none"> Basic Recency, Frequency, Monetary segmentation drives most marketing programs Future behavior is assumed to closely mirror past behavior

To learn more about how analytics intelligence serves as the foundation for understanding and impacting the customer journey, read [Frank Grillo's article "Customer Journey Analytics"](#).

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