

DATA: THE NEW CURRENCY FOR RETAIL

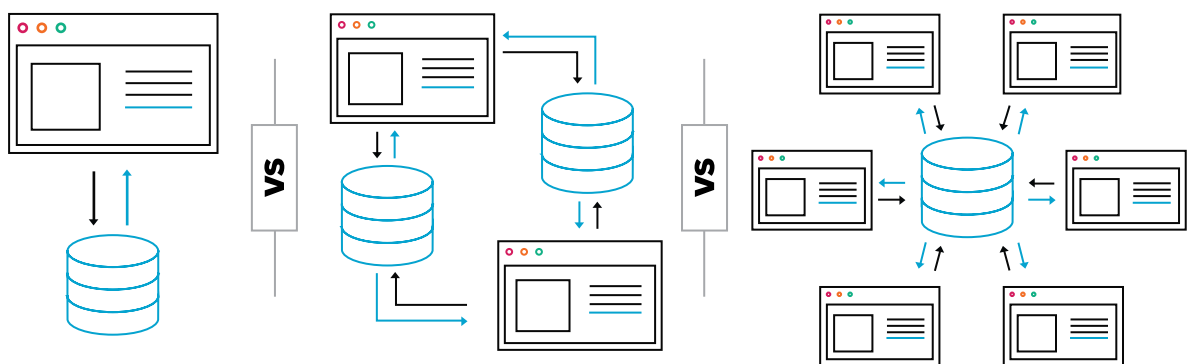
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The **majority of shoppers** believe that retailers who personalize the shopping experience provide a valuable service. Whether addressing the customer by name, or making recommendations based on purchase history, a personalized experience is a key step in earning customer loyalty. In fact, 76% of retailers intend to increase the volume of personalized promotions and offers in 2018, according to **RetailMeNot**.

Customer data is crucial to delivering individually tailored promotions. In fact, it is at the heart of efficient and profitable businesses, across sales, operations, inventory, and logistics.

Data is driving the future of retail and is as good as currency. Knowing what data to use, and how and where to use it will determine success both online and in-store.



The data difference

Imagine a future where a store will recognize a shopper from the moment of arrival whether in-store, online, or on a mobile device to deliver customized, end-to-end memorable experiences worth sharing. A future driven by comprehensive, accurate data.

Today's business leaders must make data a priority. Incomplete or faulty data can lead to missed opportunities, uninformed decision-making, non-compliance sanctions, and low customer satisfaction. But while many retail executives understand data can make the difference, data quality continues to be a source of frustration. According to **Experian**, 69% of retailers state that data quality issues negatively impact customer trust and perception.

All data can serve a purpose in the pursuit of optimizing shopper experiences, product portfolio and inventory, and building brand loyalty—but not all data is created equal.

With limited time and resources, retailers need to consider the value of the data sourced and which methods of data collection to use. The three primary categories of data sources, in order from “good” to “better” to “best,” are: third-party data, second-party data, and first-party data.

Third-party data and competitive advantage

Third-party data is typically purchased to compensate for gaps or blind spots in data that is generated from the business. The most widely used third-party datasets include demographic, geographic, and psychographic information which are leveraged for behavioral and contextual marketing. Realized value varies depending on the ultimate business goal.

When third-party data is acquired, it is often unclear how the data was collected, where it was collected from, and how old the data is. This means third-party data generally needs to be "scrubbed" to ensure quality before it is incorporated into company programs.

Data harvesting and web scraping are established methods used by list vendors to gather personally identifiable information (PII). These techniques yield high volumes of data which can be useful. However, traditional and non-consensual web scraping should be avoided as these can violate data regulation standards and possibly create public relations nightmares for brands.

To protect an individual's privacy, the EU's General Data Protection Regulation (GDPR) has put the onus on companies to comply with strict guidelines. This could be a precursor to similar legislation in the US, so the days of profiting from PII without express user consent are coming to an end.

Today, the best practice is to work solely with third-party data vendors that engage customers directly, earn trust, and gain permission to leverage PII.

Examples include:

- Engaging with customers directly, ultimately gaining permission to leverage PII
- Cross-referencing existing customers to reach similar prospects
- Reaching new target audiences, demographically and geographically
- Competing in new channels

Pros: *Compensate for data gaps, high-level persona research, and alignment targeting*

Cons: *Lack of visibility on how data is collected and managed, requires in-house scrubbing before incorporating into company programs, and may contravene GDPR compliance*

Second-party data—a reliable predictor of consumer intent

Personalized experiences are only as good as the visibility that drives them. Second-party data—high quality first-party data collected by an outside provider—tracks what happens when a customer leaves a website, shops at another retailer, or shares new information with someone else. Second-party data provides the opportunity for brands to collaborate and deliver the best engagements using a 360-degree view of consumers.

Retailers that haven't already leveraged second-party data may be surprised to find that major brands are already trading in highly reputable marketplaces. The cost of second-party data can vary widely depending on the quality and demand.

Second-party data is a reliable predictor of consumer intent, as it provides transparent access to first-party data from competitive retailers, brands, and marketers. This eliminates concerns on source, date of origin, and alignment with marketing.

Examples include:

- Entering a new market to reach a niche segment
- Partnering with a complimentary business to cross-promote products
- Selling data as a new revenue stream

Pros: Reliable, aligned, and extends self-generated insights

Cons: Additional marketing cost may be significant if first-party data is insufficient

First-party data

First-party data is owned by a company outright and is collected directly from consumers and internal systems. It is the most reliable data source, with virtually no concerns regarding collection methodology, data origination, or application.

Sources of first-party data include:

- Website and mobile app usage
- In-store interactions and purchases
- Shopping cart purchases and abandonments
- CRM activity
- Social pages and blog interactions
- CRM data (ideation sessions, client calls, birthdays, etc.)
- Subscriptions
- Survey responses

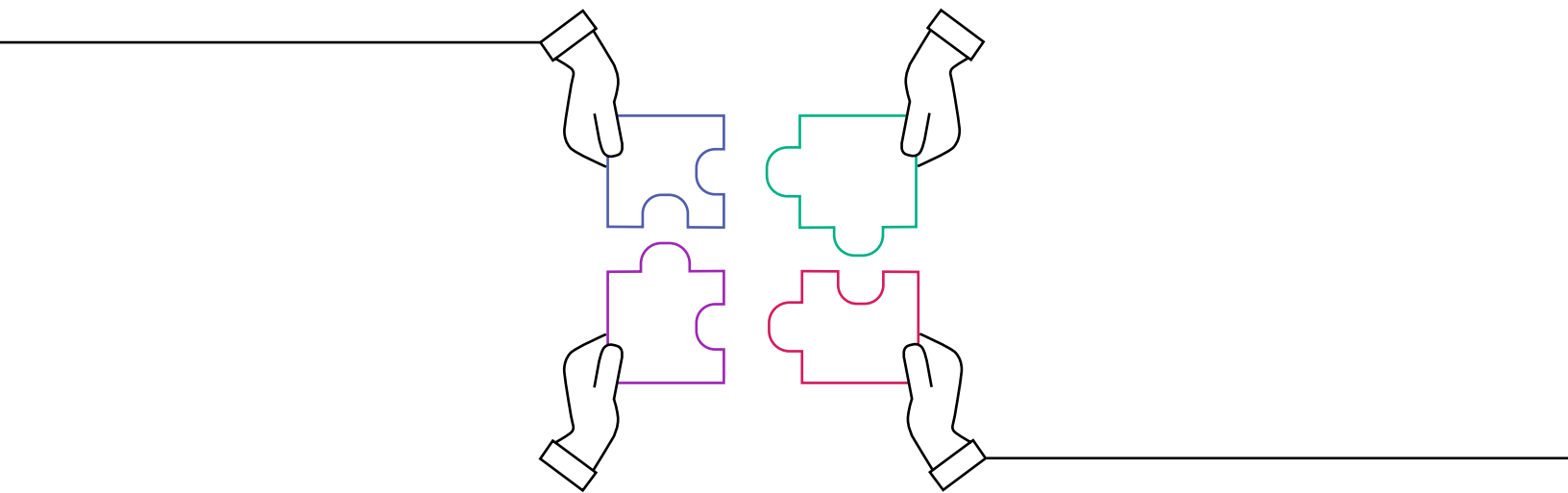
Examples include:

- Predicting future patterns, such as audience behavior
- Gaining audience insights into customer traits, preferences, and behaviors
- Personalizing content, promotions, and recommendations

Pros: *High quality, comes straight from target audience, company owns and controls, no fee to use*

Cons: *Responsible for data management, security, and quality*

Generating data is not a means to an end. The challenge for companies is to leverage the right data to understand the consumer, inspire engagement, and to earn and keep customers' brand loyalty. If data doesn't do that—whether it is first-, second-, or third-party—it is not worthy of inclusion.



Overcoming data challenges

But what is worthy of inclusion? To guard against data waste, a retailer must first identify data challenges, understand the technological options available, and then overcome existing barriers by complementing with second- or third-party data.

For many retailers, the first challenge to leveraging customer data is internal. Often data is disorganized and spread across disparate databases that don't communicate with one another. These cluttered data silos arise when retailers do not fully comprehend the value of data, or aren't sure how to turn insight into action. Most retailers simply haven't devoted the necessary budget or technology to maximize data assets.

Secondly, communications between business development and IT are often limited. The former is typically focused on building brand and making sales, while the latter is concerned solely with keeping the machine running.

Thirdly, as retailers add new channels, core systems are being stretched beyond original intent. The problem becomes a red flag of its own making.

So how should retailers tackle these challenges? Patchwork updates are expensive and may be outdated once integrated, and complete system overhauls are cost prohibitive.

Rather than taking drastic measures—or worse, no measures at all—retailers must balance customer expectations with achievable goals. Retailers must identify what customers demand today and evaluate what the company can deliver. By identifying both digital and in-store KPIs, an innovative plan can be developed.

Using technology to improve customer experience

AI-driven solutions, powered by data, empower retailers to tailor and personalize programs to each customer or customer group. Chatbots, voice assistants, voice search, and voice-enabled purchasing all help shoppers who prefer to be independent. Data can also power augmented and virtual reality technology, offering shoppers the chance to try on clothes or test how furniture would look in their homes—all without leaving the showroom.

And beyond providing shopper insights, these technologies can also improve efficiency.

Delivering the smart store experience

At SoftServe, we help our clients analyze data beyond dashboards and automated reporting to ensure it is leveraged properly at the store, chain, and corporate levels. Whether it's data quality assessment and management, predictive analytics, infrastructure upgrades, platform optimization, or immersive experiences—our experts can help.

Contact SoftServe today and learn how we've enabled retail clients to harness data to deliver tailored experiences for shoppers, ultimately improving efficiency and profitability.

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SoftServe is a global digital authority and consulting company, operating at the cutting edge of technology. We reveal, transform, accelerate, and optimize the way large enterprises and software companies do business. With expertise across healthcare, retail, financial services, software, and more, we implement end-to-end solutions to deliver the innovation, quality, and speed that our clients' users expect.

SoftServe delivers open innovation – from generating compelling new ideas, to developing and implementing transformational products and services. Our work and client experience is built on a foundation of empathetic, human-focused experience design that ensures continuity from concept to release.

Ultimately, we empower businesses to re-identify their differentiation, accelerate market position, and vigorously compete in today's digital, global economy.

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