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WHITE PAPER

Optimize your selling channels

Matching customer information with where they are located to help retailers make better decisions and maximize their revenue.

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Being a successful retailer used to be a lot easier. Making sure customers had access to the right products at the right time was mainly an exercise in making sure stores were conveniently located and they were stocked with products appropriate for their markets. Widespread consumer adoption of digital shopping has dramatically changed the playing field. Consumers have access to a host of new retailers who don't have a physical store close by; buying journeys often flow across physical and digital channels; and data-rich retailers are able to present more targeted product offers to specific customers even when the product is not stocked in a store near the customer. The notion of being at the right place at the right time with the right product has become much more complex and the importance of coordinating customer experiences across channels is a new discipline customers are demanding and is critical for retail success. Based on a recent report by business advisor Deloitte, multichannel shoppers spend 85 percent more than those who only shop in the store. By enabling effective multi-channel shopping experiences, retailers can better serve those customers, beat out the competition, and increase revenue.

Location Intelligence is critical in developing and executing effective multichannel selling strategies. The basic premise of location intelligence is geographic data contains insights on consumer populations, competition, and likely consumer behaviors. Retailers apply location intelligence to understand the impact of online commerce on in-store commerce and vice versa, and to make smarter channel investments aligned with opportunity.

Understanding location intelligence

The concept of location intelligence is not new. In fact, it has been around in one form or another since the dawn of time, with cities popping up along ancient trade routes to supply goods and services to merchant caravans. But the power of what we now consider to be location intelligence, the application of geospatial data to solve a particular problem, was made crystal clear in 1850s London, when the physician John Snow overlaid a map of the city's water pumps with occurrences of cholera and was able to narrow the source of the outbreak to a single pump.

That laying of information over a map to identify relationships is the core of location intelligence today. But instead of reports of sickness, retailers need to understand the relationships between different selling environments and sales success. Location Intelligence helps retailers understand what types of consumers are most likely to purchase, where these consumers are located and what mix of online and physical shopping experiences are most attractive to them. Savvy retailers are constantly evaluating how consumers are reacting to changes in shopping options and taking action to optimize their selling channels.

For example, a news report about a retail chain closing stores doesn't necessarily mean that the chain is suffering. Instead, it most likely means they are more focusing on maintaining stores in locations where customers desire physical stores for shopping, and are closing down stores in markets that no longer warrant a brick and mortar location. The right decisions can be tricky as consumers don't view channels in isolation. For example the presence of physical locations can drive higher online sales; some markets are more digitally propense than others; competitive options vary across markets and consumer segments…. and that's what location intelligence is all about. It is helping retailers understand the balance of their various channels to remove friction from shopping experiences, increase spending among existing customers, and reach new customers.

Realizing the benefits

Given the rapid change we've observed in consumer purchasing patterns over the last decade, the task of effectively implementing and coordinating channel strategies can be daunting. Fortunately , today retailers have much more data to work with including eCommerce transactions , mobile and physical marketing campaigns, social media, loyalty programs, and external demographic, point of interest data, and travel times between consumers and physical shopping choices.

When a retailer is thinking about making these very expensive decisions, they want to have the best data and analytics possible. Enabling them to:

Make better omnichannel investments: By understanding who their best customers are, how much they spend, which competitors they are considering, where the best prospects are located and how they prefer to buy, retailers can allocate capital investments across channels effectively.

For example: A retailer could get help answering such questions as "where do you find soccer moms across the country?", "how many are there?", "what is their preferred shopping channel(s)", "how is that demographic shifting over time?" and "What is their typical purchase journey across stores and digital channels?" The retailer might then look at competitors in a particular area and what sort of choices they offer potential customers. With the goal of providing a more attractive mix of physical and digital shopping options relative to the competition.

> **Understanding how different consumer segments value physical and digital channels is critical to channel investment and coordination**

Lower costs: Finding a balance between locating a store close to a retailer's prime customer base and its own suppliers can mean the savings of thousands or millions of dollars over the course of a year.While also managing risk by layering crime threats , and natural disasters such as floods, storms or fires probabilities.

The same analysis may also be used to optimize marketing efforts. For example: Sending online offers only to people most likely to respond to such offers, and direct-mail promotions to those who prefer physical communication can reduce mailing costs and provide a bigger return on marketing investments.

> **In times of rapid disruption, access to current data and trend analysis is critical to smarter decisions needed to stay ahead of the competition**

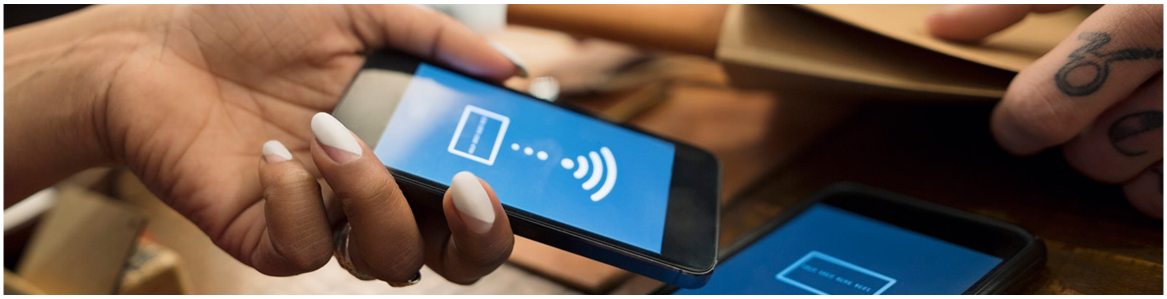
Increase revenue: At the end of the day, a retailers' goal is to make sure that they are top of mind when a consumer is making a purchase, so the retailer can maximize revenue. The way to accomplish that is make those customers loyal, make it easy for them to buy and make them advocates for the brand.

The premise of channel optimization is ensuring frictionless buying cycles. To do so retailers analyze their various channels understand the impact of online shipping on the physical stores, and vice versa, and who their customers are, so they place the right mix of purchasing options (stores, website, in-store pickup, etc.) in front of the right consumers.

Retailers needs to understand how physical and digital channels compete with and complement each other

Easier moves beyond borders: As retailers embrace cross-border e-commerce, their typically next step is to open physical stores in foreign countries.

In those cases, they are asking "How do I find customers in France / Brazil / China that look like the customers I have in the my local country?" or "I want to open locations in Canada. Which locations are most likely to succeed and limit risk? " Being able to answer those questions can make international expansion a less risky proposition and open new streams of revenue.



Making sense of it all

The more data a retailer can gather, the better decisions they can make. With the increasing prevalence of social media, online shopping, loyalty programs, sophisticated in-store POS (point of sale) systems, retailers have the ability to collect more data about their customers than ever before.

In the store itself, anonymous video analytics can garner basic demographic information about the people who pause to look at a particular display. And Bluetooth beacons tied to smartphone apps can help track a customer's movement from one department to another.

Then there is also a host of data available from third-party sources, including household income, education, and family size that can be matched with customer location data.

If a retailer can link purchase records or service records back to the same customer to understand the full extent of the customers' activities and behaviors, location and patterns, they're going to be in a better position to predict consumers' reactions to changes in the environment.

Of course, simply combining all of this information into a spreadsheet does little to help make sense of the data. It's more than simply looking for patterns, it's being able to take and use that data to help predict consumer responses. Few retailers are going to have the in-house expertise and complete data assets across many situations to be able to create models that can predict how consumers will behave based on changes to channel offers, market conditions or evolving technologies.

In those cases, it can be beneficial to work with a partner who has the expertise to gather that data and help the retailer understand what it means. The best partners are those companies that can integrate software, data and consulting services into solutions that enable 'what if' scenario modeling to enable a retailer to optimize their selling channels.

About the sponsor:

Pitney Bowes is a global technology company powering billions of transactions – physical and digital – in the connected and borderless world of commerce. Clients around the world, including 90 percent of the Fortune 500, rely on products, solutions and services from Pitney Bowes in the areas of customer information management, location intelligence, customer engagement, shipping, mailing, and global ecommerce. And with the innovative Pitney Bowes Commerce Cloud, clients can access the broad range of Pitney Bowes solutions, analytics, and APIs to drive commerce. For additional information visit Pitney Bowes, the Craftsmen of Commerce, at www.pitneybowes.com.