

Synchronizing Marketing and IT in the Era of Omni-Channel Retailing

Responding to the dramatic and rapid shift of power to customers, retailers' marketing departments are already starting to take the lead in a number of areas, using their extensive customer databases, detailed analytics and direct communication channels to engage more directly with shoppers. However, in order to understand the flood of data coming from new and unstructured sources such as social media, and to effectively execute on their increasingly tech-heavy campaigns, marketing needs to work more closely with the IT department. When marketing and IT can achieve these higher levels of synchronization, retailers will be better able to sharpen their focus on customers, improve coordination with other key departments and improve visibility and execution throughout the enterprise.

INSIDE:

- 2 Marketing Takes the Lead
- 3 IT's Crucial Role(s)
- 5 Synchronization Needed for Growth
- 7 Technology Driving Key Marketing Activities
- 9 IT Integration Breaks Down Silos

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What's at Stake for Retailers

Historically, marketing, merchandising and IT each had their own distinct roles, which unfortunately often became isolated silos in many retail organizations. While marketing focused primarily on tracking co-op dollars and managing campaigns that helped push messages about the retailer's brand and its products to customers, merchandising took the lead in purchasing products, allocating them to different stores and/or channels and "displaying" them for maximum effect.

Information technology has assumed much more of a leadership role as technology has pervaded every aspect of retailing, but IT departments themselves only rarely achieved high levels of synchronization with either marketing or merchandising departments. While the number of touchpoints between and among these departments has increased, they have for the most part operated in parallel without really working in harmony.

But the vastly changed competitive environment has made this traditional model one that's ill-equipped to deal with a fast-moving marketplace and increasingly demanding, increasingly empowered consumers. The most visible sign of shoppers' increased clout is the computing power they carry in their hands when they are standing in the store aisle.

T A K E A W A Y

Power in Hand:

The most visible sign of shoppers' increased clout is the mobile computing power they carry into the store. Retailers must adjust their processes to account for this.

With one touch they can compare products, another touch brings them competitive pricing information, and with yet another touch they have ordered from a vendor online and arranged for home delivery. All the while, they could be chatting or blogging about the experience. At risk for retailers is not only the sale of the specific product and other purchases during that shopping trip but the basic relationship between retailers and their customers.

It's an environment that is reshaping the relationships within retail enterprises as well as how they engage with customers. "The 'new normal' in retail — omni-channel operations, leaner

inventories and the need to do more with less — has created a need for marketing and merchandising that's not just focused on the consumer but that engages them throughout the buying process," says Joe Skorupa, Group Editor-in-Chief, *RIS News*. "It's no longer cost-effective to send mass mailings of catalogs, and even general e-mail blasts run the risk of annoying customers rather than enticing them into a store or onto a merchant's website.

"Likewise, merchandising decisions based on simply classifying stores as A, B or C-type locations and allocating by averages won't cut it in today's competitive marketplace, where customers encountering out-of-stocks can immediately purchase the item elsewhere via mobile commerce," Skorupa says. And because most retailers are operating with leaner overall inventories than ever, they "must make use of inventory wherever it is currently located in their enterprise — a distribution center, a store or en route — to fulfill rising customer expectations."

Marketing Takes the Lead

The solution is for retail marketing departments to take on larger roles in key retailing processes — a move that's already taking place in many retail organizations. The omni-channel nature of retailing, with shoppers making multiple "stops" during their purchasing journey (researching a product online, chatting about it with social network friends, trying it on in the store but purchasing it via a mobile device, etc.) means retailers must maintain a single view of each shopper throughout this multi-step process, but also have the ability to reach them at the time and place, and via the device, that the customer prefers.

"The marketing department has become the de facto head of the shopper experience without the actual title," says Skorupa. "This evolution has come about because the marketing department uses customer analytic reports more than any others. In recent years, it has assumed responsibility for the digital channels, such as online, mobile, social, e-mail, text and contact centers, that directly touch consumers."

But marketing can't act alone, nor should it. Marketers may be tempted to maintain their own customer databases and analytical tools, and even to invest in basic IT applications to more effectively manage their activities. However, this is just an updated version of the "silo" effect that has fostered miscommunication, repetition and work-arounds within the retail enterprise.

"Historically, marketing was the creative engine for retailers,"

says Mike Matacunas, CEO of The Parker Avery Group, an Atlanta-based consulting firm. "It was primarily about what message, through what means, and when to deliver that message on behalf of the overall retail business. It was a push strategy. The legacy of marketing at retail was it was organized and enabled to push information to consumers."

Marketing gradually became involved in list management, demographics and identifying customers. "They became more than a creative organization, they became an analytic organization," Matacunas adds. Now marketing is evolving beyond analytics "to become a more intimate part of merchandising strategy."

IT's Crucial Role(s)

IT departments have the technological expertise to find and deploy the applications that will provide marketing – and the entire enterprise – with the biggest bang for the buck. They have the support staff and resources needed to maintain solutions and maximize their value. They can also serve as an effective bridge between marketing and other retail departments that are heavily dependent on technology, including merchandising, planning and store operations.

Agility is another key factor in keeping up with today's digital customers. In terms of data, that means a real-time flow of information that tells the company what is going on in the store now. If there is an instance of fraud or an out-of-stock item, the retailer can act immediately rather than waiting for the end of day reports. Speed of insight and execution equals agility.

Synchronizing data between marketing and merchandising departments makes this happen. Retailers might synchronize information on who the consumer is, how to group them into segments, and then how those segments change over time. For instance, a retailer specializing in outdoor sporting goods could apply it to camping, and find that the consumer has changed and now wants lighter backpacks, and since they have high incomes, they can pay a premium for these items.

Retailers are already making significant investments in marketing-related technologies, including those that help achieve synchronization, according to the *RIS/Gartner 2011 Retail Technology Study*. Among the major action items for the next 18 months that were identified by retailer respondents to this survey were:

- Campaign management and promotions effectiveness, cited by 30% of respondents
- Leveraging social media, 28%
- Developing multichannel (synchronization)

initiatives, 28%

- Developing a mobile commerce strategy, 22%
- Adopting a unified enterprise system, 19%

The study also revealed that among the top 10 technologies for 2011 were:

- Integration with social networks, cited by 49%
- Consistent customer recognition across channels, 39%
- Centralizing customer data and intelligence, 34%

T A K E A W A Y

Marketing Clout Explodes:

Marketing now controls large quantities of customer behavioral and sales data, creating a new pocket of power in the retail enterprise.

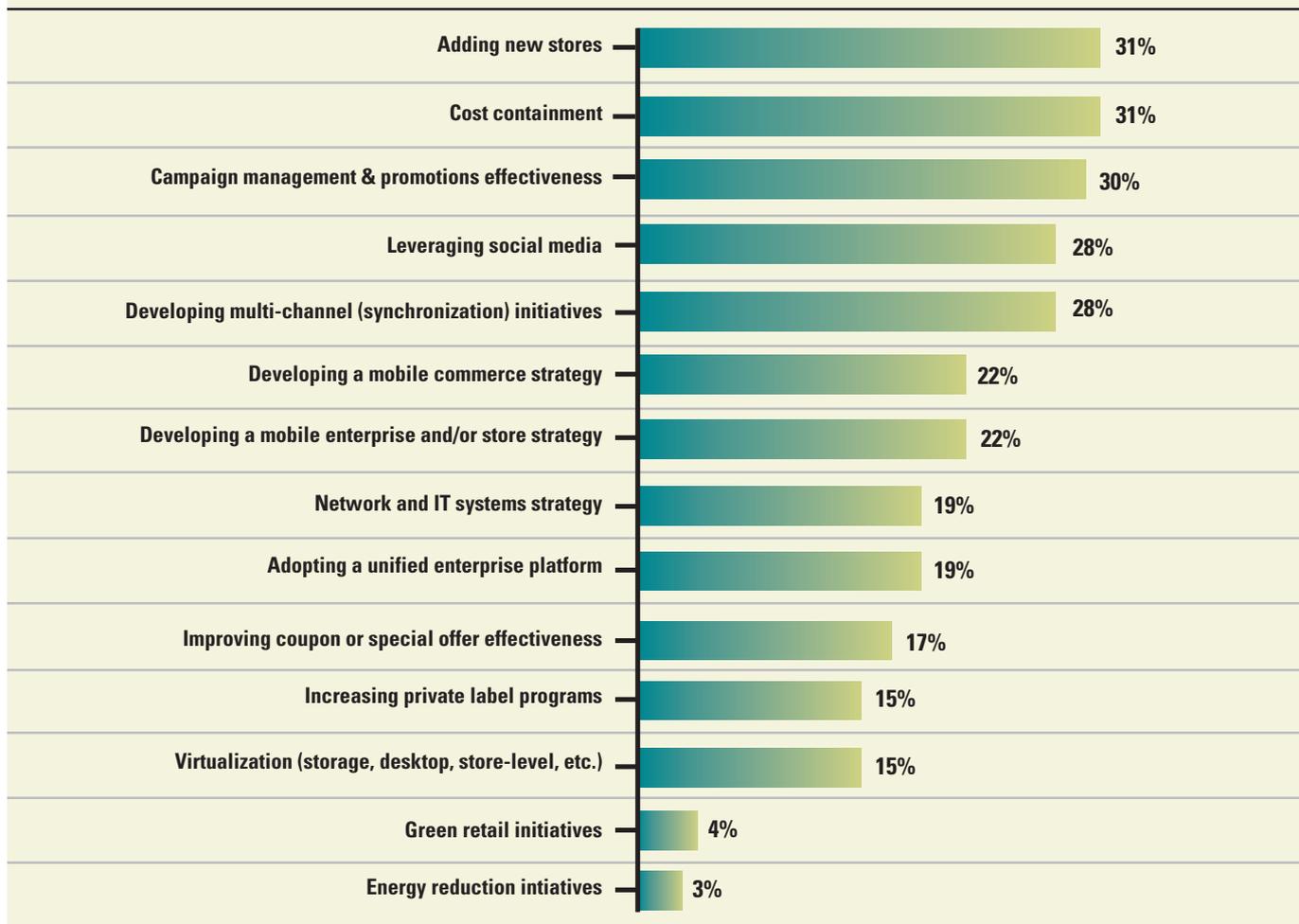
Integrating Social Media Information

The synchronization of marketing and IT is also crucial because the types of data retailers need to analyze in order to formulate effective campaigns and build customer engagement are changing. Unstructured data, such as that gleaned from blogs and social media sites such as Twitter and Facebook, requires special attention. In addition, visual data, such as shopper-generated videos, can be an important indicator of shopper sentiment as well as providing clues to current and future trends.

Tools such as natural language processing that are capable of interpreting slang or other informal word choices can be helpful in gleaning insights from the onrush of social media-generated data. For example, someone may refer to a product as "bad" but mean that it is actually "good" or "cool." This type of contextualizing can help retailers predict more accurately whether the products they're carrying will be popular – and even more importantly, which customer groups will like them the best.

This makes the retailer more profitable and more agile. It is much easier to introduce assortments that are relevant as merchants hear about consumer preferences from digital media like Twitter and Facebook. Retailers that are set up to respond to changing lifestyles and trends with quick execution will win.

MAJOR ACTION ITEMS OVER NEXT 18 MONTHS



SOURCE: RIS/GARTNER 2011 RETAIL TECHNOLOGY STUDY

MARKETING'S INCREASED IMPORTANCE IS SEEN IN HIGH RANKINGS FOR CAMPAIGN MANAGEMENT AND LEVERAGING SOCIAL MEDIA.

Matacunas sees more local marketing enabled by technology. "It is likely that the future of marketing, merchandising and product will be localized mass customization. You have to tailor your message, the product you sell, and the price you sell it for to smaller markets," he notes.

Retailers have many other weapons in this arsenal. One is better management of promotions. By matching promotional calendars more closely with merchandising activities and store execution

operations, retailers can then adjust these calendars to better align with consumer preferences. Planning optimization services also provide retailers with the intelligence to tie together plans for what promotions to run, the optimal pricing strategy, and how best to allocate or replenish the products.

Marketing organizations also have integrated Web intelligence that allows them to see consumer browsing behavior. For example, a multi-channel sporting goods outfitter tracked con-

Marketing, IT Synchronization Required for Profitable Growth

MIKE WEBSTER, SENIOR VICE PRESIDENT AND GENERAL MANAGER, ORACLE RETAIL

Q: What trends are behind the increased importance of retailers' marketing departments? Which technology trends are playing a role?

MIKE WEBSTER: The trends making retail marketing departments more strategically important all revolve around the need to achieve growth and margin in a difficult trading environment. The land-grab days, where a retailer could simply open new stores to drive growth, are now limited. Marketing departments are being called upon to help drive growth by working harder and smarter to create and communicate value to their customers. The rise of social and mobile channels also plays a big role, as does the explosion of data and technology available to support business intelligence applications.

“TRADITIONALLY, MARKETING HAS BEEN MORE FOCUSED ON DELIVERING EFFECTIVE PROMOTIONS THAN CREATING GREAT CUSTOMER EXPERIENCES. THE LACK OF PROCESS INTEGRATION AND DEFINED SUCCESS CRITERIA BETWEEN THE ORGANIZATIONS HAS BEEN A CHALLENGE.”

— MIKE WEBSTER, SENIOR VICE PRESIDENT AND GENERAL MANAGER, ORACLE RETAIL

Q: How effective have marketing and IT been in synchronizing their activities within the retail organization? What are some of the barriers?

WEBSTER: Traditionally, marketing has been more focused on delivering effective promotions than creating great customer experiences. The lack of process integration and defined success criteria between the IT and marketing organizations has been a challenge. Despite this explosion of data available to retailers — they have petabytes of information about their customers — we largely

remain anonymous to the retailers that serve us. This creates a clear opportunity for greater alignment and synchronization.

Q: What are some practical examples of retail organizations benefiting from these departments working together more closely and efficiently?

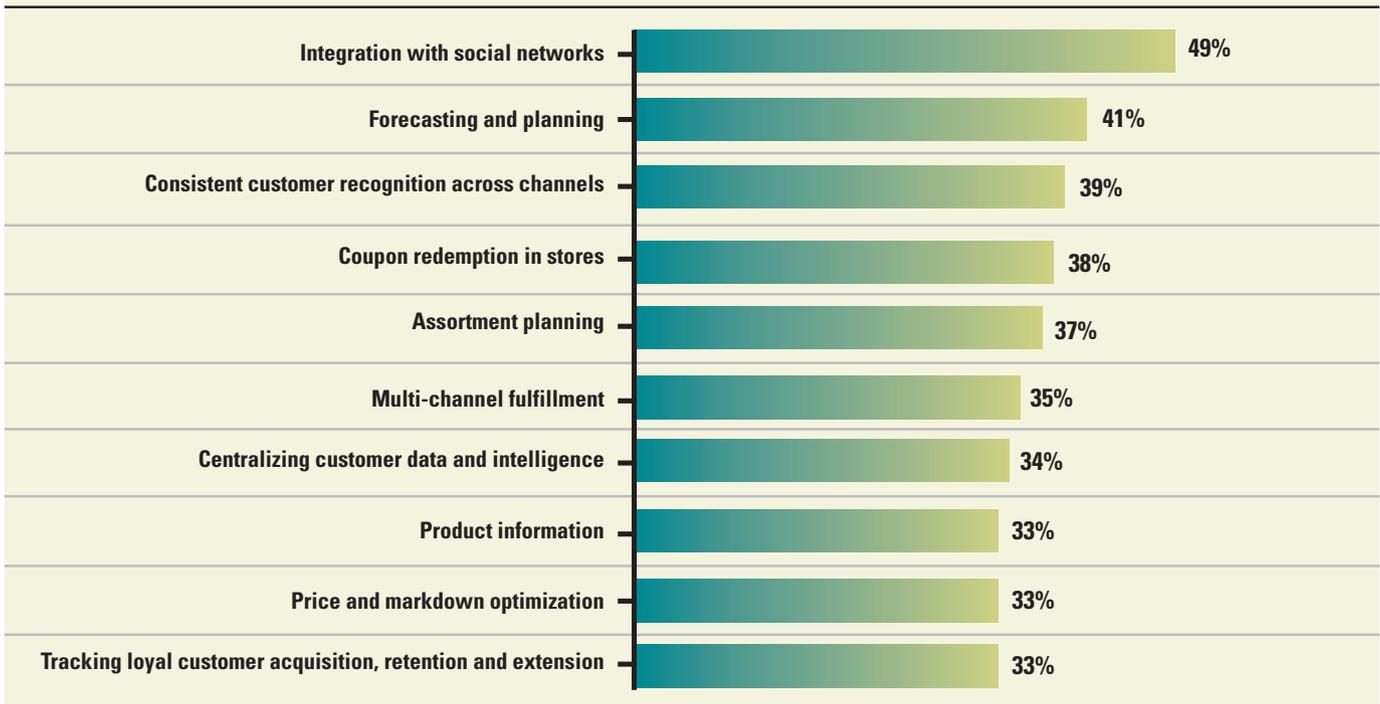
WEBSTER: We have seen numerous examples of marketing and IT departments working together as companies such as Best Buy converge their channels, whether that is a call center, a store, online or mobile. We see companies optimizing their operations so they can deliver, for example, an in-store digital experience. Companies like Wet Seal are doing a great job of building social intelligence — not just having a presence in the social networking community but actually using that intelligence to acquire and build relationships with consumers based upon their preferences and their purchasing intent.

Q: Which technology solutions are most useful for retailers seeking to improve marketing/IT synchronization?

WEBSTER: Retailers are now moving to next-generation e-commerce platforms that allow them to provide personalized customer experiences; that offer multi-site or microsite capabilities to support the launch and centralized management of new brands and product lines, and entry into new markets; and that use live help capabilities, such as click-to-chat and click-to-call to improve sales, service, and satisfaction levels. Secondly, they look at their business intelligence. It's not enough to have a data warehouse with terabytes of data that help to inform decisions. It has to be integrated with the execution systems so they can use the insight from BI to drive better execution through merchandising, supply chain and store systems.

Lastly, the significant advancements in planning and optimization capabilities become critical enablers of marketing synchronization. The application of advanced science to the business process helps retailers to promote, price, allocate and replenish more effectively so they can deliver on their brand promise more consistently. ■

TOP 10 TECHNOLOGIES FOR 2011



SOURCE: RIS/GARTNER 2011 RETAIL TECHNOLOGY STUDY

STRONG RETAILER INTEREST IN SOCIAL NETWORK INTEGRATION IS A PRIME EXAMPLE OF THE NEED FOR MARKETING AND IT SYNCHRONIZATION.

T A K E A W A Y

Bridge Building: IT departments should serve as an effective bridge between marketing and other retail departments that depend on technology to drive business improvements.

sumers who browsed guns and ammunition, and saw the subsequent purchases in the stores. That retailer now uses browsing behavior as a means of forecasting what will sell and when.

Today's marketing solutions can also package these analyses into easy-to-understand dashboards providing role-specific reports to people throughout the enterprise. This creates greater visibility by providing the information that each department needs to

coordinate marketing and merchandising activities.

In addition, with the increased availability of additional computing power, provided quickly and cost-effectively through cloud-based delivery systems, key decision-makers in both marketing and merchandising departments can perform "what-if" analyses and also monitor the progress of ongoing marketing campaigns, measuring results to make mid-course corrections if they are required.

"Check-in" apps for mobile phones, such as Foursquare, will see rapid growth, and they represent significant marketing and merchandising opportunities for retailers. These can also be linked to new coupon sites like Groupon and Living Social, and social networks like Facebook and Twitter. The May 2011 "Retail Merchandising and Marketing Alignment Study" from the Parker Avery Group reports that 45% of retailers will target coupons toward customers who check in at their stores, or reward loyalty through social media or mobile commerce platforms by the end of next year.

Technology Driving Today's Marketing

PRATIK PAL, VICE PRESIDENT AND GLOBAL HEAD - RETAIL INDUSTRY SOLUTIONS, TATA CONSULTANCY SERVICES

Q: Which of today's business trends account for the increased importance of marketing departments?

PRATIK PAL: The retail industry is witnessing a dramatic shift in the way consumers shop and interact with retailers. Digital penetration is increasing, and hence, with more information and tools at their disposal, a value-conscious shopper has emerged. Some of the key trends being observed are: an increased focus on insights; digital marketing; complexity of marketing workflow; a renewed focus on managing customer loyalty; and marketing emerging as the custodian of new channels — mobile and Web. We see the arrival of a “digital customer.”

Q: How has synchronization changed the interaction between marketing and IT in retail today?

PAL: The interaction between marketing and IT has been lim-

versioning are used to increase sales and brand equity. Digital advertising has arrived in the industry.

Q: What benefits would a retailer be likely to see from marketing/IT synchronization?

PAL: Synchronizing marketing and IT will make these departments very effective and powerful. We are witnessing several retailers worldwide investing in specific solutions and they are succeeding very well. Leveraging consumer insights adds value to the overall marketing mix. Digitized marketing has resulted in changes in the marketing workflow process. We are also witnessing retailers making significant investments in in-store digital signage and digital coupons. We are also creating Marketing Information Systems, Dashboards and Marketing Cockpits to help retailers measure marketing effectiveness.

“MARKETING AND IT CAN NO LONGER EXIST AS SEPARATE ENTITIES; THEY NEED TO BE WOVEN TOGETHER. THE GAME-CHANGING MARKETING CHANNELS TODAY ARE TECHNOLOGY DRIVEN.”

— PRATIK PAL, VICE PRESIDENT AND GLOBAL HEAD - RETAIL INDUSTRY SOLUTIONS, TATA CONSULTANCY SERVICES

ited with marketing focusing only on traditional channels. Some recent trends have pushed marketing and IT closer. As marketing teams focus on gaining deeper insights of the customer, the IT team needs to create the master data and BI backbone to deliver these insights. Retailers are investing in sophisticated tools for customer insights, leveraging technologies like Hadoop, advanced analytics integrating social media, internal data and syndicated data.

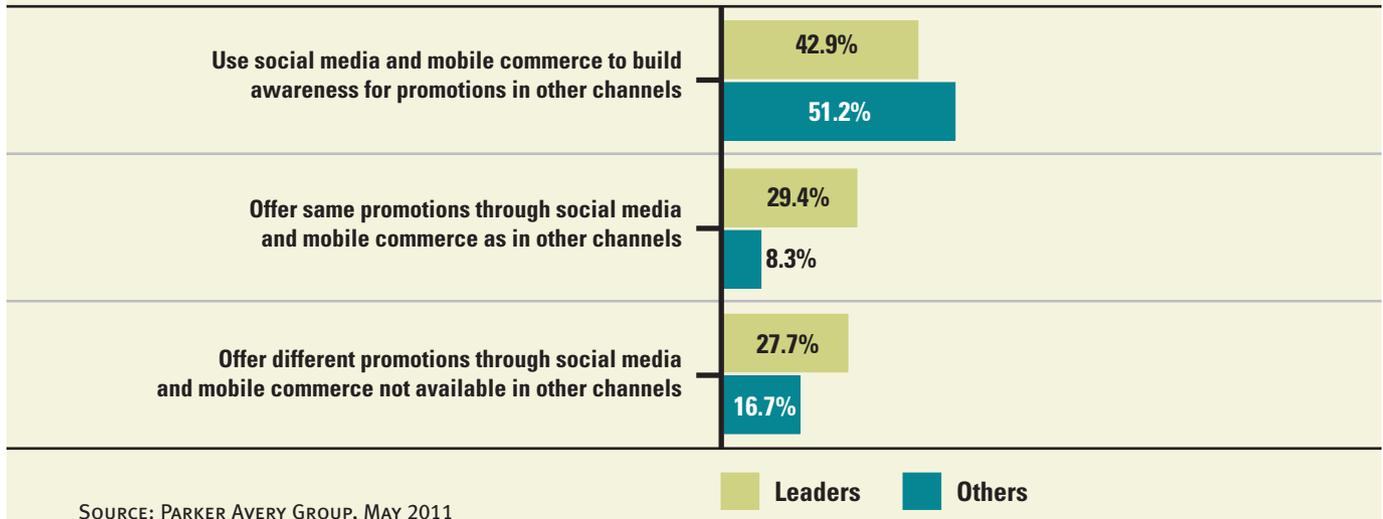
Q: Why is synchronization important for retailers' marketing and IT departments?

PAL: Marketing and IT can no longer exist as separate entities; they need to be woven together. The game-changing marketing channels today are technology driven. E-commerce, mobile, social, digital marketing, viral marketing are just laying the foundation. Promotions are becoming very creative and extremely personalized. Marketing information exchange and ad

Q: Are there specific technologies or solutions that can help retailers improve marketing/IT synchronization?

PAL: IT today offers all the solutions that help integrate the critical functions influencing consumer behavior. A vital first step to unleash the synergies of multichannel is analytics. It's not just marketing and sales that need to listen to customer conversations. R&D, innovation, product teams, customer service and merchandising can all benefit enormously from user insights. To sum up, the consumer demands an integrated experience across channels. Retailers need to work towards a universal cart. This requires centralized pricing and promotion engines, multi-channel loyalty programs and a very strong and robust IT architecture to achieve better agility to manage business change, strategic use of data, multi-channel enablement and process simplification and harmonization. With all these individual components, technology needs to enable integration of all these channels to provide a transparent view and generate insights. ■

RETAILER USE OF SOCIAL MEDIA AND MOBILE COMMERCE IN PROMOTIONAL PROCESSES



SOURCE: PARKER AVERY GROUP, MAY 2011

IN ANOTHER SIGN OF THE INTERTWINING OF MARKETING AND IT, AMONG RETAIL LEADERS, NEARLY 30% USE SOCIAL MEDIA AND M-COMMERCE AS PROMOTIONAL VEHICLES, AND NEARLY AS MANY OFFER PROMOTIONS SPECIFIC TO THESE MEDIA.

T A K E A W A Y

Getting in Sync: Marketers must integrate insights from online, social media, location-based technology and traditional data sources to understand shoppers' omni-channel journeys.

In a question about how leading retailers utilize social media and mobile commerce in their promotional processes, 42.9% said they use these to build awareness for promotions in other channels; 24.9% said they offer the same promotions through social media and mobile commerce; and 27.7% said they offer distinct promotions through these that are not available in other channels. In sum, retailers are moving aggressively to leverage these new technologies.

The Parker Avery study also found that a little over 63% of retailer respondents have a process to formally capture customer intelligence and insights. Of these, 84% have realized better than average or average comparable store performance over the past two years. Those that don't have such a process do significantly less well.

Retailers are battling to gain (or in some cases regain) the loyalty of consumers who have many, many choices about what to buy and where to buy it. The consumer technologies that have expanded shoppers' choices can also be powerful tools for communication and customer engagement, and retail marketing departments are in the prime position to use those tools effectively. But the tech-driven nature of today's most critical marketing activities, and the increased internal coordination, agility and responsiveness needed to translate these marketing activities into sales and profits, require much higher levels of synchronization between marketing and IT than retailers have ever needed before. Marketing/IT synchronization also builds "bridges" to other key retail activities, from planning and allocation to pricing, promotions and execution. Marketing's newly increased clout within the retail enterprise is tied to the entire retail organization's ability to deliver on its promises to its customers, and synchronization plays a critical role in making that possible. ●

T A K E A W A Y

Action Plan: IT and marketing synchronization is required to execute effectively to the store and channel levels and across the enterprise.

IT Integration Helps Break Down Marketing System Silos

REBECCA BUCNIS, GLOBAL PROGRAM DIRECTOR, DIGITAL MARKETING, TERADATA; TIM SIMMONS, VICE PRESIDENT, RETAIL INDUSTRY MARKETING AND SOLUTIONS, TERADATA; AND WES MOORE, VICE PRESIDENT, INTEGRATED MARKETING MANAGEMENT SOLUTIONS, APRIMO

Q: What are the key trends influencing the growing importance of retailers' marketing departments?

REBECCA BUCNIS: A combination of two factors is changing the importance of marketing for retailers. First, consumers are more interactive with retailers than ever before. That consumers have things to say is not new, but the ability to do so on a mass scale has dramatically changed. Second is technology enablement, starting 10 years ago with Internet communication, to mobile phones five years ago, to the rise of social media over the last three years. Consumers have the ability to express themselves about everything and marketing has the requirement to address these interactive consumers.

Q: What are some of the barriers to more effective data synchronization within retail organizations?

TIM SIMMONS: Marketing is not afraid of data, and prefers a self-serve data community. The marketing organizations tend to own the advanced analytic functions in retailers. They've built silos, some of which are not even known to IT, and there's been very little cooperation with IT. Silos have been a barrier to data integration, and to realizing the value of data integration. Marketing doesn't want to wait for IT to run reports. The silo attitude (and architecture limitations) can be solved by integration with a logical data model and the data warehouse. Advanced analytics use cases have to be proved to marketing. One has to be able to demonstrate that a project that once took five days can now take minutes or hours to get the same results when executed in Teradata.

Q: Why is it important for retailers' marketing and IT departments to achieve greater synchronization?

SIMMONS: There's a need for differentiation in any given retailer. Senior management has been telling the leaders of marketing and merchandising to start talking to each other and get their act together. They can only do that if they are looking at one version of the truth — one copy of the data. That has historically been an obstacle, mostly by attitude and sometimes by

technology. For retailers that are trying to take on a policy of customer centricity, marketing and merchandising simply must work cooperatively. To do that, the data must be integrated, and IT must enable it.

MOORE: When all of these processes are integrated, it translates to a much more efficient marketing organization with more relevant and effective campaigns. That translates into more revenue, and more profitable revenue at that.

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— **TIM SIMMONS, VICE PRESIDENT, RETAIL INDUSTRY MARKETING AND SOLUTIONS, TERADATA**

Q: What solutions can help retailers improve marketing/IT synchronization?

BUCNIS: Today there are broader-based, enterprise level marketing kinds of solutions. They are often called enterprise (or integrated) marketing management. Unlike previously, when marketing had significant spend and were limited to detailed, specific ROI, enterprise marketing management is an effort to try to put project management and highly detailed financial practices against marketing.

MOORE: We look at it as more of a collaboration effort between the two departments. I don't know that it's a technology that brings marketing and IT together, but rather a mindset that is shared by the company and the vendor or supplier of the solution. ■



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