A price that really is just for you

Consumers may claim to want consistent prices and promotions across channels, but that doesn’t mean those offers have to be the same for everyone – thanks to big data. Penelope Ody investigates.

The product lifecycle may start with design, range planning and launch and, in an ideal world, ends with satisfied customers, no returns and minimal clearance stock, but in between may come a raft of promotional and pricing tactics aimed at achieving this perfect sell-through – and for multichannel retailers those tactics can be increasingly complex.

Online it’s a world of personalised offers, real-time promotions, and the ability to instantly switch offers to match margin or volume targets. Until recently it’s been rather different in-store with largely anonymous customers, lengthy promotional lead-times, and varying levels of compliance dependent on local stock and staff enthusiasm.

“Consistency across channels is vital,” says James Lovell, Smarter Commerce Solutions Consultant Europe at IBM. “It is a key customer expectation; there may be a place for web-only offers, but stores need to be empowered to match that. Web only is a commercial decision – but head offices need to question if it is the right one.” A consumer survey published by IBM last year put price consistency across channels at the head of a list of attributes shoppers expected; in fourth place was consistent product assortment across channels while the three other “wants” in the top five were all linked to delivery and returns.

“On Black Friday,” says Lovell, “we saw 60 per cent of digital traffic coming from tablets and phones but only 47 per cent of actual transactions were made that way. So it seems people were researching on mobiles and then going to a store – so offers have to be consistent.”
Offers may need to be consistent – but that 60 per cent figure well demonstrates that, thanks to mobile, in-store can be just as personal as online. If well-publicised promotions – such as Black Friday offers – need to be consistent across channels, highly personalised ones can be more flexible. “Many retailers are really starting to understand customer behaviour,” says Lovell, “especially in the mobile world with apps relating to loyalty card data and purchasing patterns – you can start to understand an individual’s price sensitivity and introduce personal pricing.”

Mark O’Hanlon, Senior Manager with consultants Kurt Salmon, agrees: “Customers expect more personalised offers,” he says. “As long as you can isolate the customer then you can reach out and talk to them on a one-to-one basis and make personal offers wherever they are.” For customers who sign up for apps or permission marketing then, thanks to geolocation systems, those offers can be made whenever the shopper is in or near the store. Such systems have been available for some time but O’Hanlon believes growing numbers of retailers are now implementing them. “The US is more advanced,” he adds, “with companies such as Macy’s strategically targeting customers from when they are walking past the store right through to the changing room. You effectively can have multiple prices for every item dependent on the customer and locality.”

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In the UK, the major supermarkets are already active in this space – as many consumers will have noticed: offers flashed on self-scanning devices, for example, that are not displayed on the shelf or similar personalised deals beamed...
to app users as they shop. For retailers who baulk at such high degrees of personalisation then segmentation is the answer. “Five years ago prices and promotions used to be the same across a retailer’s estate,” says Jason Shorrock, Retail Strategy Director at JDA.

“Now we’re seeing better segmentation by both geography and customer purchasing pattern. Retailers want more insight into their customers and heavier segmentation so that offers can be tailored more precisely across all channels.” Whereas once a retailer might segment by store group, now they can focus on a myriad of customer types by locality.

While regional pricing is still less common in the UK it is rather different in the US, as Mark O’Hanlon points out. There, Amazon compares the prices of its grocery offerings with numerous relevant regional supermarket chains to make competitive offers at a highly local level. The company makes around 25 million price changes daily: such activity has seen Amazon’s share of the US disposable nappy market, for example, increase from zero to 25 per cent in just two years. “It shows,” says O’Hanlon, “just how powerful these tools can be.”

Cheryl Sullivan, Senior Vice-President for Product Strategy at Revionics, talks of the need to focus on the “point of decision”. “You need to bring both product lifecycle and customer lifecycle together,” she says, “so that you know, for example, whether that customer will only buy if goods are on promotion or if they buy at other times. Online you know what brought them to your site: a generic search, a promotional offer, or maybe they came via social media – which is growing in importance. In store you have the loyalty card data and, increasingly, information from mobile apps.”

Thanks to “big data” it is now possible to crunch this vast array of parameters about products, promotions, customers, social activity and competitors to model price sensitivity not just by product but also by individual customer. “You can also identify which products in your assortment drive traffic and which drive margin,” says Sullivan, “and how individual customers respond. You can see what happens to your competitors’ pricing when you change yours: no-one wants to create a race to the bottom, so understanding price sensitivity is important. Many retailers have no idea what promotional activity is doing to their bottom line.”

Like Revionics, OrderDynamics is in the big data business. Its DynamicAction tool takes data from all online and offline channels to deliver recommended actions for products, customers, channels and marketing: a technology that Gartner now refers to as “prescriptive analytics”. On average, retail users have been reporting profit increases of 21 per cent year-on-year by using the system.

“Omnichannel retailing involves so many decisions that automated intelligent systems are essential,” says Chief Marketing Officer Kevin Sterneckert. “It’s not enough just to follow a set of business rules.” A survey by the company last autumn found that 74 per cent of retailers promote irrelevant items by e-mail: such as offering discounts on women’s wear to shoppers who only ever buy men’s clothing. Without systems capable of applying intelligent decisions, retailers are left with generic offers sent to an entire mailing list.

IBM, too, finds that big data analytics are transforming price and promotions planning: “Data really is being seen as the ‘new natural resource’,” says James Lovell, “and pricing is becoming ever more scientific. In the digital world it is easy to respond rapidly in real time to customer behaviour, but digital technologies are also starting to enable that in store.”

As well as electronic shelf-edge price labels, both digital signage and digital shelf-edge strips have the potential for flexible pricing and promotions in real-time. As such systems become fully interactive then the sort of personalised promotions seen online also become possible in-store. The Rebecca Minkoff store which opened in New York last November, for example, uses wall-size touch screens which allow customers to browse the range and select items which are then delivered directly to a changing room. Shoppers are alerted by text when the room is ready, where they find another interactive wall allowing them to order alternative garments, log preferences and confirm purchases with an instant digital receipt sent to their phones. Ultimately such technology, developed by eBay’s retail innovation team, could be used to offer personalised discounts, home delivery for out-of-stock items or suggestions for additional lines – all at that vital “point of decision”.

With such sophisticated personalisation, perhaps the mass-market rugger scrums witnessed on Black Friday might one day become a thing of the past.