SIGNIFYD

How Siloed Legacy Processes Push Your Buyers to Amazon

The Era of Retail Renaissance

Before its digital epiphany, beauty retailer Sephora knew when a customer bought a Jouer Cosmetics Bouquet D'Amour Six Shade Blush Palette in one of its increasingly popular stores. Of course it did.

But it didn't know that that customer had also browsed a long-wear lip creme and a brow whiz, while scoping out the blush palette online before coming into the store. That all changed in 2017 when the retailer consciously knocked down the walls between its brick-and-mortar and ecommerce teams.

The rise of digital technologies has provided vast opportunities for retailers to gain deeper understanding of today's consumers. It also means consumers are demanding more from retailers – more data to inform their purchasing, a more consistent brand experience, personalization across channels and a seamless shopping experience that meets them when and where they are.

But as Sephora and retailers around the world have learned, the major challenge for retailers is connecting all of these dots harmoniously. Companies should be utilizing multiple data points to create a holistic view of the customer to better understand and advance their buying journey in real time.

The Amazon Advantage

Whether retailers like it or not, one company leads the way in leveraging data across the entire buying journey and beyond — Amazon. The company has managed to insinuate itself into nearly every aspect of consumers' daily life.

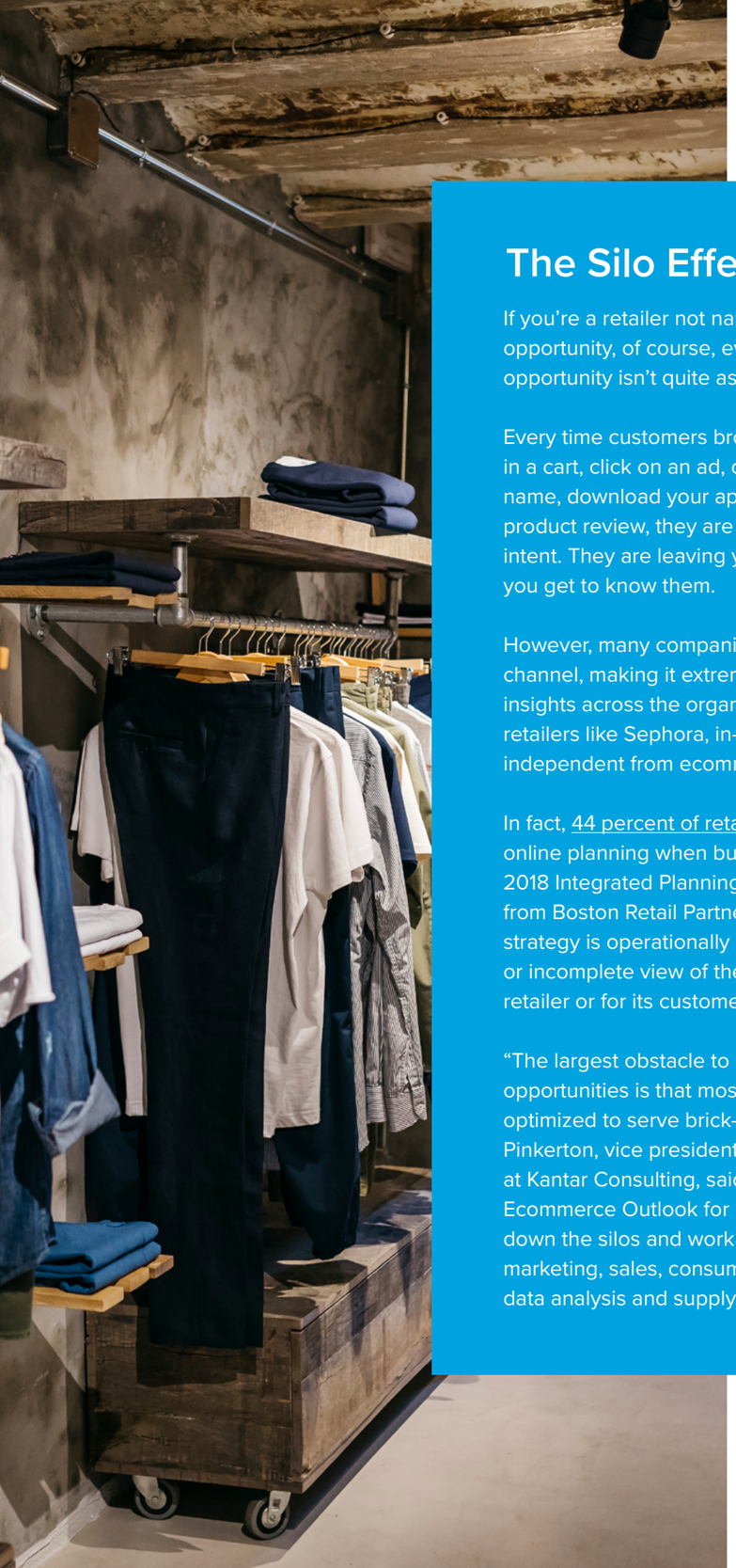
A consumer might wake up to an Echo alarm, programmed to the type of music that particular consumer enjoys. The same consumer might search Amazon for various products, demonstrating degrees of interest in eventually buying a particular item. He or she might actually make a purchase.

Later, that shopper might send a gift to a relative, providing that relative's address for shipment. He or she might use Echo's Drop In feature to talk to a friend through the device.

During the day, the same individual might stream a program or a movie. He or she might listen to music, make a shopping list, order from Whole Foods and ask Alexa about vacation destinations, before turning out the light and going to sleep.

Amazon keeps track of it all to better understand customers — and frankly to better design offers and promotions to keep those customers buying. And in the end, Amazon having insight into all that data allows the company to provide a better customer experience.

Understanding past behavior and current intent, Amazon's algorithms can suggest complementary products. It can find entertainment options that might suit an individual. It can anticipate when staples need to be restocked and it can finely personalize shopping searches.



The Silo Effect

If you're a retailer not named Amazon, you have a similar opportunity, of course, even if the scale and scope of that opportunity isn't quite as vast.

Every time customers browse your website, add or leave items in a cart, click on an ad, open an email, search your business name, download your app, contact call centers, or leave a product review, they are signaling their wants, needs and intent. They are leaving you stockpiles of data that can help you get to know them.

However, many companies often organize this data by team or channel, making it extremely difficult to share information and insights across the organization. For instance, despite gains at retailers like Sephora, in-store customer data remains largely independent from ecommerce customer data and vice versa.

In fact, 44 percent of retailers still separate their in-store and online planning when building strategy, according to the 2018 Integrated Planning & Inventory Management Survey from Boston Retail Partners. Unfortunately, this kind of siloed strategy is operationally inefficient and results in a distorted or incomplete view of the customer. That's not good for the retailer or for its customers.

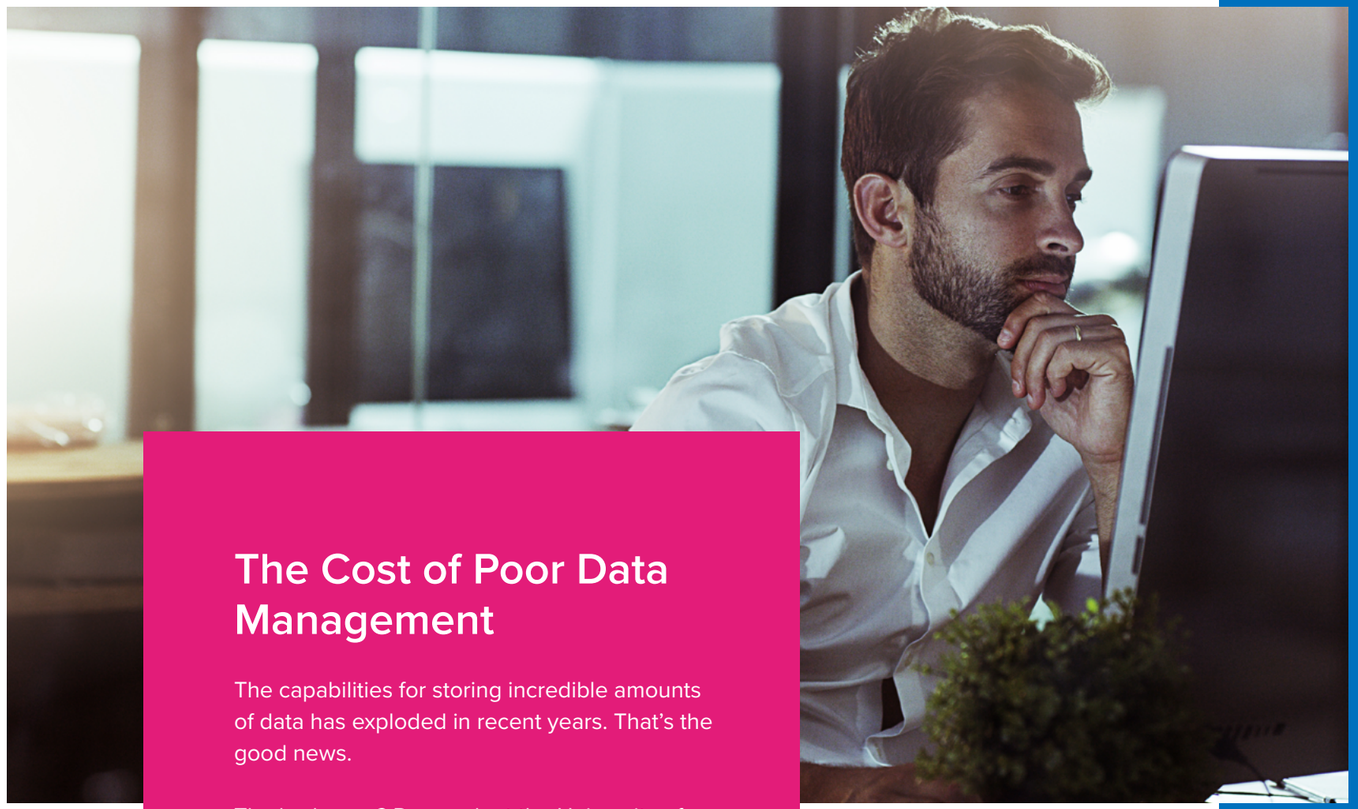
"The largest obstacle to unlocking true omnichannel opportunities is that most organizations remain primarily optimized to serve brick-and-mortar retailers," Malcolm Pinkerton, vice president ecommerce & digital insights at Kantar Consulting, said when Kantar released its 2019 Ecommerce Outlook for Brands. "To win, brands must break down the silos and work in cross-functional teams — with marketing, sales, consumer engagement, ecommerce, stores, data analysis and supply chain — all working in harmony."

Where do silos come from?

Data silos tend to occur naturally over time for a variety of reasons. In large part, they are a result of traditional data collection technology and management systems, organizational structures and company culture.

Silos generate a false sense of success. When your group or team is hyper-focused on meeting its own goals, you lose sight of the bigger picture. This often happens because of a company culture in which departments see other divisions as having different responsibilities, priorities and systems, each functioning in its own unique way. That makes it easy for organizations to create tunnel vision that deters teams from sharing data and information with others in the organization.

Many enterprises are still using legacy software applications and systems that acted as standalone solutions in the early years. Now these companies are left with apps and software systems, sometimes decades old, from a variety of vendors and no context for how different sets of data relate to each other. Then there are instances of duplicate or redundant apps being utilized within an IT infrastructure, often occurring when an organization undergoes a merger or acquisition. Add to that, newer cloud-based apps and software-as-a-service that individual teams sometimes buy as a work-around, without getting IT's approval.



The Cost of Poor Data Management

The capabilities for storing incredible amounts of data has exploded in recent years. That's the good news.

The bad news? Research at the University of Southern Denmark shows the volume and frequency at which data is being captured also makes managing it more complex, sometimes resulting in information silos. This can mean an increased risk for poor data quality. The implications of bad data can be costly to retailers in a variety of ways:

- Less customer satisfaction
- Increased operational costs
- Inefficient decision-making processes
- Lower performance
- Lowered employee job satisfaction

Trusted Data is Valuable Data

When dealing with data, you can't rely on gut instinct. Trusted analytics are essential in guiding decision-making. Data lacking in quality and management breeds distrust both internally and at the customer level. KPMG International's 2016 Global CEO Outlook found that 84 percent of CEOs are concerned about the quality of the data they're basing decisions on.

Yet Profitero and Kantar Consulting are predicting ecommerce brands will continue to increase spending on data analytics. The 2019 eCommerce Outlook for Brands surveyed more than 200 ecommerce professionals and analyzed over 7,000 LinkedIn profiles to get a sense of how brands are evolving to tackle ecommerce opportunities. The research found 41 percent of brands plan to expand their ecommerce data analytics headcount in 2019.

"Operating in increasingly complex and dynamic ecosystems, companies can derive tremendous value from ensuring trust throughout the analytics life cycle," Christian Rast, global head of data & analytics at KPMG, says in the 2016 global CEO report. "Those who can manage trusted analytics will have greater confidence in their decision-making and trust in their customer relationships."

If you're handling multiple versions of data, which do you use? What source is the the correct one? Figuring out these answers will be frustrating. In addition, getting executive buy-in for initiatives built around data that's missing, inaccurate, duplicated or inconsistent is a waste of time at best and dangerously misleading at worst.

On top of that, it hurts business. According to Gartner's recent Data Quality Market Survey, businesses estimate that poor data quality costs them on average $15 million a year. Business intelligence projects often fail because they're utilizing dirty data, and it's generally a result of the underlying structure of their data. Put another way, the output is only as good as the input, or the "garbage in, garbage out" principle.

In the shadow of the retail giant – Amazon

Comparing your business or trying to compete directly with Amazon is a fool's errand. The retail giant generated $233 billion in 2018 sales. It accounted for 49 percent of all ecommerce retail sales and 5 percent of all retail spending, according to eMarketer. It became the second company to reach a $1 trillion market cap, following Apple. On top of that, a Bloomreach survey found 44 percent of all product searches start with Amazon. The ecommerce titan now has about 100 private label brands, from batteries to fashion apparel. For retailers, trying to beat Amazon at its own game (be everything to everyone) is a race-to-the-bottom strategy.

Instead, successful retailers have focused on offering an experience or inventory that Amazon cannot or doesn't. The idea is to build a bond with customers, one that is strengthened by leveraging the kind of data that helps retailers understand and get to know their shoppers.

Despite Amazon's omnipresence, there is good news. More than 90 percent of U.S. retail sales still happen in brick-and-mortar stores, and researchers estimate physical stores should still account for 85 percent of sales in 2025.

That said, in an era when Amazon has become so dominant, retailers can't sit idly by and expect their businesses to flourish. Here are strategies retailers can apply to their operations to optimize their ability to provide customer experience that excels and differentiates.

Personalized Experiences

Thanks to brands such as Amazon, Apple and Facebook, consumers have come to expect personalization in their buying experience. A recent Evergage and Researchscape International survey found the majority of marketers (87 percent) are experiencing success with personalization yet think their organizations have significant room for improvement.

Personalization of ads, offers, emails or recommendations begins by first leveraging customer data. Presenting her annual Internet Trends report at Code 2018, legendary venture capitalist Mary Meeker said one of the best examples for personalized commerce is Stitch Fix.

Founded in 2011, the online styling subscription box service has a higher-than-average retention rate (~30 percent) and grew revenue to a reported $1.2 billion last year. Stitch Fix's success lies in its ability to leverage data and algorithms with human judgement. When a new client signs up for the service, she fills out a style profile, providing over 85 meaningful data points up front. This data combined with AI machine-learning systems and human expert stylists provides a highly personalized customer experience.

Embrace Mobile and Social Technology

Mobile devices are rapidly changing the customer shopping experience, particularly among millennials. In the U.S., consumers spent $153 billion on retail products using their mobile devices in 2017. They are forecasted to generate $209 billion in 2022, according to a recent Forrester report.

Most retailers have incorporated mobile into their strategies, but frankly, some have done a better job than others.

Sephora, which merged its in-store, digital and customer service teams in October 2017, continues to be an innovator in the mobile space.

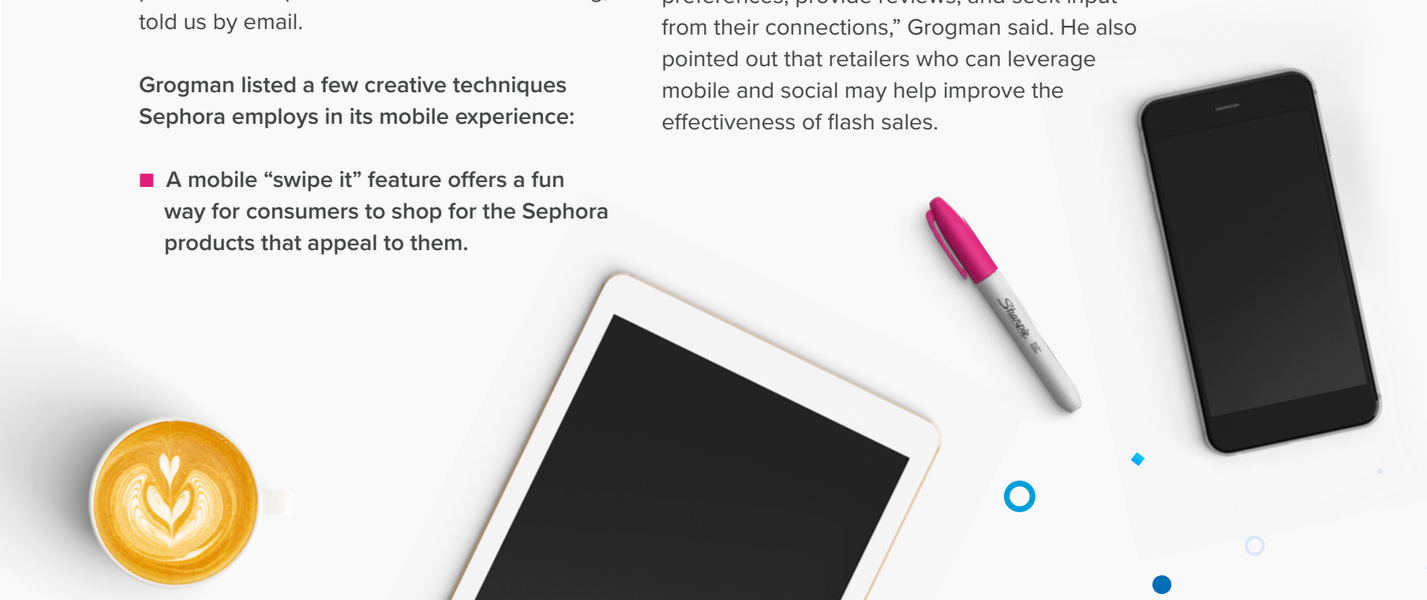
“By focusing on the user experience first and foremost, Sephora has been able to separate themselves from the majority of retailers who spend too much time inside the box or are too focused on having a mobile experience for the sake of having one,” Ryan Grogman, senior vice president and practice lead at BRP Consulting, told us by email.

Grogman listed a few creative techniques Sephora employs in its mobile experience:

- **A mobile “swipe it” feature offers a fun way for consumers to shop for the Sephora products that appeal to them.**
- **A three-step questionnaire called the “beauty uncomplicator” that helps consumers find the right makeup and tools.**
- **The Kik chatbot offers Sephora customers “conversational commerce” by providing a one-on-one mobile chat experience to present ideas on new makeup looks and identify products in tutorials.**
- **The Sephora Virtual Artist app scans a user’s face and lets them try on different makeup looks using augmented reality technology.**

Complementing the mobile experience is the rise of social media. Many forward-thinking retailers are using advanced information gathering and consumer segmentation through increased social media interactions.

“Outside of transacting on social platforms, consumers are using that medium to discuss preferences, provide reviews, and seek input from their connections,” Grogman said. He also pointed out that retailers who can leverage mobile and social may help improve the effectiveness of flash sales.



Break down data integration barriers

The benefits of data unification may be clear. Mary Beth Laughton, Sephora’s executive vice president of omnichannel retail said in an interview with Glossy that the retailer combined its physical and online teams to remedy a lack of collaboration.

“We had good relationships across our channels, but we weren’t collaborating or finding synergies, and we were maximizing business in isolation,” Laughton said. “We’re more aligned, and we can move faster across in-store, online and mobile strategies.”

Reaching that transformation, however, is often the biggest challenge. It’s not easy, compiling fragmented data, transitioning from multiple legacy systems to an integrated system, or shifting company culture from a resistance to share information and toward team collaboration.

Those with the ability to use data analytics in today’s digital landscape, will have a competitive edge over organizations who do not. Instead of building a brand new infrastructure, here are steps you can take to begin integrating the enterprise data you already have.

Assemble a cross-functional team of data champions

We’ve established one consequence of information silos is the lack of visibility across the business and a clouded version of the truth. Each function or business line — operations, marketing, sales, customer service, finance, and human resources — has data requirements of their own, with little mind paid to other functions. Getting the right people together and establishing roles is an essential first step in formulating an orchestrated strategy. This interdisciplinary working group should have support from senior executives to prioritize and execute the data strategy.

The first step is determining the key roles to staff your working group. Forrester Research has provided a good starting point, defining these roles as:

Chief Data Officer: This executive works closely with the C-suite and is capable of leading data and technology governance while bearing in mind overall business objectives. Gartner predicts 90 percent of large companies will have a CDO role by the end of 2019, yet only 50 percent will be successful. Many CDOs face resistance, particularly from the IT department. The person in this role should work closely with the CIO. Depending on the size of your

organization or the level of change you're looking for, you might need to designate co-leaders. PwC's strategy team suggested "with multiple stakeholders representing multiple functions, having a single accountable leader for people to rally around is often unrealistic." But two leaders "can enforce accountability and encourage collaboration on all fronts."

Data Analyst: The data analyst finds, collects, cleans and organizes data. An analyst will prepare trusted data sets and interpret analytics for data consumers.

Business Data Architect: This role is responsible for conducting enterprise analysis. They plan, design, develop and implement a data management structure equipped for automation. Depending on the needs of your operation, this role is responsible for merging legacy systems into new data system architectures, which facilitate enterprise-wide accessibility.

Data Governance Leader: It seems like every other day we hear about another data breach. A key tenet in consumer trust is data privacy and protection. The data governance leader is responsible for securing data assets, ensuring compliance and establishing principles, policies, processes and controls. David Dadoun, director of business intelligence and data governance at the Montreal-based ALDO Group, was charged with implementing a data governance program. He told SearchCIO that it's important to first consider how you market the initiative.

"We started off by marketing it and branding it as this 'data-plus initiative,' rather than data-governance initiative, in order to have a word that was more agreeable to the corporate culture."

Data Steward: The steward acts as the gatekeeper between the working group and your lines of business. This is a business role that promotes data governance policies. Their responsibilities may be grouped by subject area (such as customer or product) or by function (such as supply chain).

Work with trusted, third-party partners

Trying to orchestrate an enterprise alone, using internal and external data, can be a headache. Ease some of the burden and extend data and analytic abilities by turning to trusted partners who realize your strategies. It may be a cheaper alternative than building out capabilities in-house.

Strong partnerships can also speed up development goals. David Marimon, founder and CEO of Barcelona-based Catchoom, a visual technology company for retail, says legacy retailers are catching up with digital natives — and it has to do with accessing talented partners.

"The first and foremost advantage is trying things fast, iterating a lot," Marimon said. "I think that in order to become agile, any company needs to partner with companies that have already put into the market a certain solution, and therefore those partners with things like software service, APIs, all of these things facilitate a lot of trying, going for a pilot, seeing if it works, then engaging into a commercial agreement."

The Bottom Line

Today's digitally-savvy customers have come to expect personalized, commerce experiences that delight. In order to stay afloat among increasing competition, retailers must have the ability to orchestrate a data- and insights-driven program that's customer-centric.

Successful retailers recognize all customer interactions, whether in-store, on mobile, social media or online, as crucial data-gathering opportunities. Establishing a working group will help prevent the future formation of silos and instead guide enterprises down a unified data path, providing a comprehensive view of the customer.

Retailers, however, must not try to boil the ocean. Collecting and cleansing massive amounts of data, implementing a new data management strategy or adopting a data governance program are complex undertakings. Start by performing an assessment of your business needs. Determine your data requirements and categorizing your needs by priority. Take one step at a time, set metrics and use your successes to build momentum.

By solving your customer experience silos and investing in people, processes and technologies to promote data transparency throughout your organization, you will discover new and valuable insights.

Better yet, you will be in a position to act on those insights with speed and agility — ultimately taking advantage of the best that retail's digital transformation has to offer.

About Signifyd

Signifyd enables merchants to grow with confidence by providing an end-to-end commerce protection platform. Powered by the Signifyd Commerce Network of more than 10,000 merchants selling to more than 250 million consumers worldwide, its advanced machine learning engine is able to protect merchants from fraud, consumer abuse and revenue loss caused by barriers and friction in the buying experience. Signifyd counts among its customers a number of companies on the Fortune 1000 and Internet Retailer Top 500 lists. Signifyd is headquartered in San Jose, CA., with locations in Denver, New York, Barcelona, Belfast and London.

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