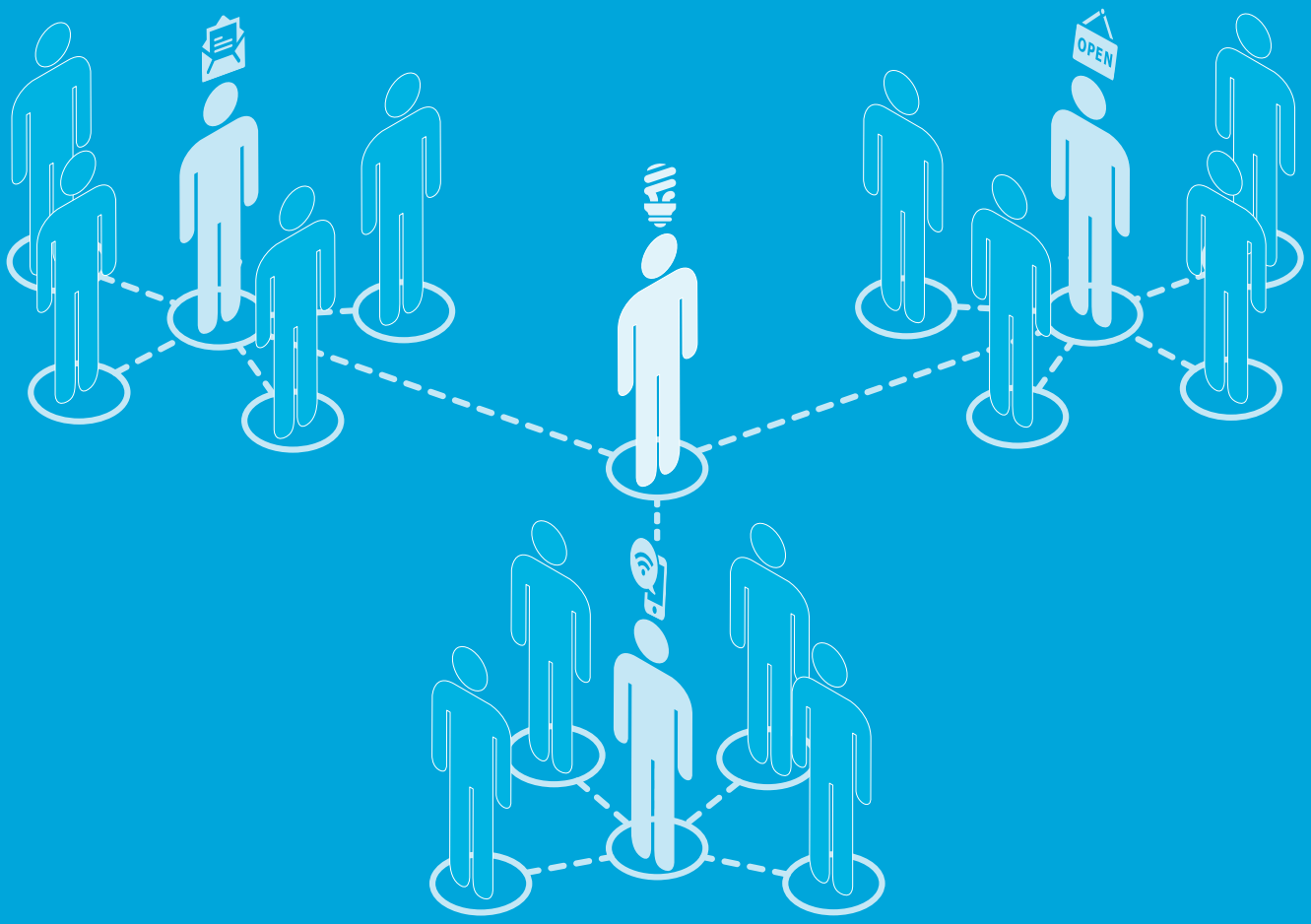
Crossing the great divide

Resolving customer identities across online and offline channels

Experian℠
Marketing Services



An Experian white paper

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A Retail marketing misstep

A friend mentioned that he'd recently made a significant kitchen appliance purchase at a large retailer, and the next week, he received an email from the same retailer promoting the appliance for $300 less than what he paid for it. So he called his sales rep and asked for the discount. The retailer complied, (which made him happy), but it also made us wonder: What if he never knew that the discount was there for the taking? Would he have been any worse off? How many other customers did the same thing he did? What did his actions — and others' — cost the company?

This is a common scenario for retailers because they do not have a solid understanding of their customers' behaviors. If the retailer was able to identify that he'd made that purchase already, wouldn't it have made more sense to send him an offer for something else — or at the very least, not show him a discounted price on the item he'd just purchased? What if that retailer was able to connect his purchase (he gave them his name, address and email address when he bought the appliance) to their customer database and make the distinction before the discounted email went out?

Marketers today face unprecedented challenges when it comes to creating and maintaining a holistic view of their customers across their marketing ecosystem. It seems that customer interaction points continue to multiply on a daily basis. Add in the pressure of customers expecting highly relevant communications when and where they want them, the business goals of increasing the lifetime value (LTV), and that marketers are working in an increasingly difficult environment. Finding, consolidating and analyzing data to achieve optimal customer interaction has never been further away from us — and yet has never been so close.

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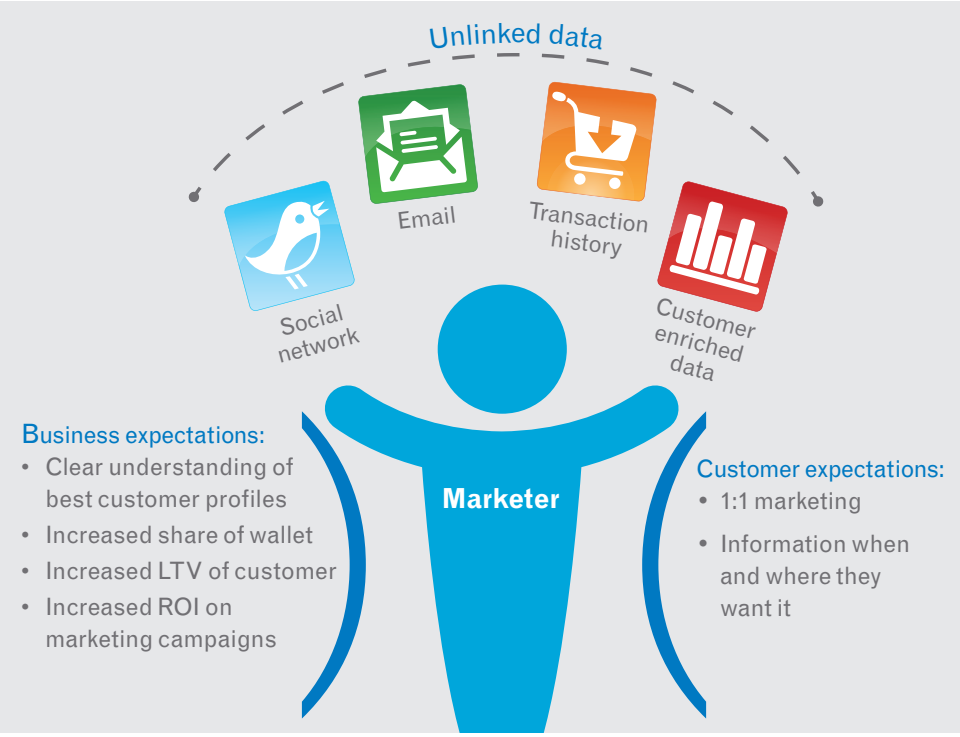


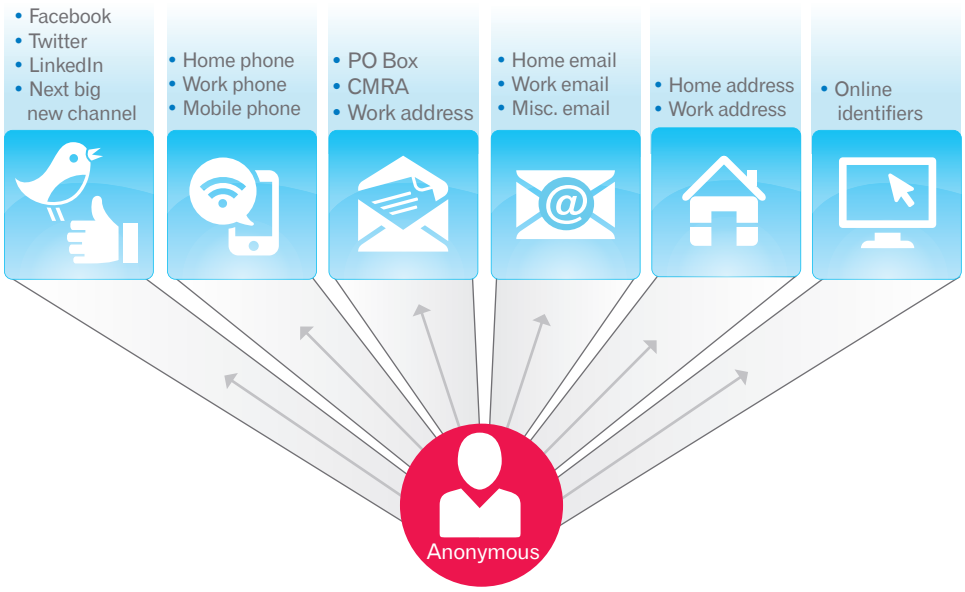
With a plethora of tools available, marketers can reach their customers through emails, mailing addresses, online profiles, loyalty programs, social network profiles and more. What hasn't been readily available is the ability to link these various profiles together, giving marketers a clear understanding of who is buying from them, where they are shopping and how they want to be interacted with.

On the surface, this kind of personal information integration seems like a fairly simple task. In the end, there are several nuances within customer identity resolution that make this a profoundly difficult task.

Consumers maintain many different identities within and across marketing channels. Take, for example, a retailer who has a strong catalog business and also handles a tremendous amount of ecommerce. A customer may have a home postal address tied to the catalog, with a work ship-to address. That same customer may have created an online account on the retailer's web site using only a name and email address. And they may even provide a different email address when they shop at the store.

Retailers struggle to unite these isolated identities and understand each customer's shopping preferences, true lifetime value and preferred communication channel. As we've seen, without integration, they may end up inadvertently providing larger discounts on merchandise than necessary, essentially wasting advertising dollars and hurting profits. Add in Twitter accounts, Facebook profiles, browser cookie identifications, or other social or digital data that the retailer may have on their customers, and the task of understanding how to market to these customers becomes monumental. Figure 1 demonstrates the fragmentation of consumer identities.

Figure 1: Identity fragmentation



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The ramifications of unlinked data

Fragmented and disconnected data is a story of lost opportunity. Many organizations have built competencies within departments to capture and collect customer data. Unfortunately, these departments are creating data silos. Without the ability to combine or link this data, marketers are unable to see buying habits across channels, understand the return on investment (ROI) for marketing campaigns or truly target their customer. This causes significant issues when trying to develop and deliver targeted marketing campaigns.

Incomplete profiles create more confusion for customers as communications deploy with inconsistent messages or campaign offers. In addition, segmentation strategies for selecting audiences for specific messages can produce poor results. A "top segment" customer who is viewed as having independent email and postal profiles could receive a "best customer" message in one channel and a "low value" customer message in another if his or her identity is not resolved prior to campaign deployment.

Incomplete profiles can negatively impact campaign measurement, also known as response attribution. Without a single customer view, organizations make incorrect assumptions about purchase behavior. It adds noise to any back-end analysis and leads to unsound decisions and strategies.

Finally, unlinked data also impacts modeling results. Inaccurate data or fragmented identities lead to poor results from all analytical activities using those models.

How to resolve identities and market effectively across channels

Cross-channel marketing requires an integrated approach across company silos and disparate systems. 46 percent of marketers identified effective multichannel coordination as one of their biggest marketing challenges of the last 12 to 18 months[1]. Having full customer data profiles allows for marketing across channels, optimized purchase events, as well as accurate campaign measurement that correctly attributes orders across channels when multiple promotional messages are deployed.

Solving this problem can be daunting at best, especially if customer data is captured in a way that doesn't link the identities across functional silos. To create accurate, robust identities that enable real-time decision making across all channels, you will likely be most successful using an outside partner.

1 Statistic from the Experian Marketing Services study, October 2011

To make an integrated marketing strategy work, you need to be able to:

1. Validate contact data in real time, as it is entered online, in-store and over the phone
2. Create linkage of disparate identities and data sets, using merely a single piece of personally identifiable information for any customer
3. Enhance your data with a 360-degree view of your customers
4. Cleanse your data to remove duplicates or inaccurate information
5. Profile your best customers and understand how they want to be reached: mobile, email, catalog, social and more
6. Identify more customers like your best customers

Choosing a partner with a strong source of reference data that links all online and offline channels enables marketers to understand who they are interacting with regardless of what the current channel is and what channels were used in past interactions. Even anonymous identifiers such as cookie IDs can be incorporated to create a string of linkages that resolve back to customer identity.

The true value of cross-channel identity resolution

Referring back to the retailer discussed earlier, it is estimated that less than 26 percent of data collected by the retailer is usable in both mail and email channels and only 0.25 percent of customer records are considered to have a complete customer profile including name, address, email and mobile data. In addition, this retailer is not able to link 53 percent of their transactions to customer data.[2]

Targeted campaigns can create up to a 50 percent lift on campaign response.

Obviously, if we do not know who our customers are, we are unable to create a targeted campaign. This, simply put, leaves money on the table.

For example, let's say that this retailer is able to link an additional 20 percent of their transactions to accurate customer data. Suppose the retailer has 1 million transactions per week, an average order size of $100 and a conversion rate of 2 percent on non-targeted communications. By linking the transaction data and creating targeted messaging, this retailer can increase their conversion rate to 3 percent and can increase their revenue by $200,000 per week.

2 Statistics from Experian Retail Client as of April 2012

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The math looks like this:

20 percent of transactions linked to customers
x 1 million customers
=200,00 customers

200,00 customers
x 2 percent conversion (non-targeted)
=4,000 conversions

200,00 customers
x 3 percent conversion
=6,000 conversions

4,000 (non-targetd) **conversions**
x $100 (average order)
=$400,000

6,000 (targeted) **conversions**
x $100 (average order)
=$600,000

The impact is clear. Customer identification coupled with the ability to target messages appropriately across channels means:

- Better marketing campaigns through precise targeting
- Stronger customer relationships and higher lifetime value
- More effective measurement and ROI reporting
- The ability to stop leakage events and over-discounting

Organizations can build this infrastructure in-house, but the process would necessitate a large investment in technology and resources. In addition, the ability to resolve identities would be limited to the pieces of information collected by the organization. It's just too easy to be beaten by competitors who may already have the capability or are working with a third-party provider to link their customers across all channels using data from multiple sources.

For marketers to create meaningful, engaging experiences for their customers and prospects, they need to recognize their customers — and listen to what they want — by observing their interactions across today's ever-expanding range of traditional, digital, mobile and social channels.

Organizations should analyze customer interactions, develop new insights into consumer behavior and preferences, plan appropriate marketing campaigns leveraging these new insights, then speak to each customer individually using personalized interactions that are coordinated and consistent across all channels.

Marketers who attempt these activities without first validating customer data and integrating that data from all online and offline sources will be missing the boat.

By working with an experienced partner who can resolve your customer and prospect identities across mediums, marketers create consistent and coordinated messaging strategies, understand the optimal path to purchase activities, maximize return on marketing investment and create memorable experiences for their customers.

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About the authors

Jeff Hassemer is the Vice President of Data Management Product Strategy for Experian Marketing Services. For more than 20 years, Hassemer has been obsessed with the customer experience. He is an expert in the use of data to define the right customer experience across all customer interactions. From Hassemer's role in product strategy, he is set to define the right systems, processes and toolsets to help Experian clients make the most of their marketing budgets.

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About Experian Marketing Services

Experian Marketing Services delivers best-in-breed customer data and insight, digital marketing technologies and data management services into multiple regions around the globe. By helping marketers more effectively target and engage their best customers with meaningful communications across both traditional and digital media, Experian Marketing Services enables organizations to encourage brand advocacy while creating measurable return on marketing investment. For more information, please visit http://www.experian.com/marketingservices.

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