



INTENT HQ

CUSTOMER DATA: THE REAL STORY

**WHAT DO RETAILERS NEED TO DO
TO MAKE THE MOST OF THE FIRST-PARTY
CUSTOMER DATA THEY HAVE ACCESS TO?**



INTRODUCTION

Retailers know the retail business. But do they know the data that today's brands depend on? On the surface, the answer may appear to be yes.

After all, retailers have been analyzing performance data and developing DPP models for decades, and almost every retailer has some form of loyalty card designed to collect data on their customers' demographics and buying habits.

But dig a little deeper and it quickly becomes clear that many companies are not making the most of their consumer behavioral data - or are even failing to utilize it at all. A major issue is that in many cases, traditional data models remain limited.

For instance, data only flows in one direction - from the customer to the business - and brands frequently fail to offer anything back to customers in return for this. In today's heavily consent-driven environments, this is unsustainable.

In order to change this, brands must first understand the value their consumer behavioral data can unlock. Embracing big data and adopting the right software platforms to make the most of this is a big commitment, in terms of both time and financial resources, so it can't be done half-heartedly.

As such, it is vital that brands have champions within the business who can drive the use of data internally and encourage the critical investments in skills and technology needed to create value.

Get this right and retailers will find that behavioral data offers them a key way to differentiate from their competitors and offer a better proposition to customers there by making them far more likely to survive and thrive in the retail revolution.

But this is far from easy, so how should retailers set about the journey and build a clear roadmap for success?

To answer these questions, we recently had a conversation with Professor Jose Luis Nueno, Professor of Marketing at IESE Business School and Intent HQ Chair on Changing Consumer Behavior.

He was joined by Alfonso Urien, Director of the IESE Data Insights Centre, and Intent HQ's Director of Data Strategy and Insights, Ben Marnan, to get their views on the real story of data integration in retail.

Here's what they had to say.

WHO CARES ABOUT DATA?

The first step in moving from traditional data models to ones offering more dynamic customer insight is ensuring brands care about this data and are enthusiastic about what can be offered.

CHANGE MUST COME FROM THE TOP

Professor Nueno said that currently, effective use of data remains the exception rather than the norm. To change this culture, efforts must start at the very top.

This can be seen in retail verticals that manage data well, such as fast fashion and grocery. In these cases, the CEOs of the companies have been directly involved in championing the use of data.

Indeed, Professor Nueno added that as data becomes more and more ambitious and expenditure becomes larger, this becomes a boardroom issue, as it is almost impossible to discuss these issues below this level.

“Data is more than a database it's a platform that requires a tremendous amount of resources across IT, data science and marketing.”

- Professor Nueno

Another key point to remember throughout these efforts is that data is more than figures and statistics held on a database - it is a complete platform that requires input from many departments, including IT, data science, marketing and customer service.

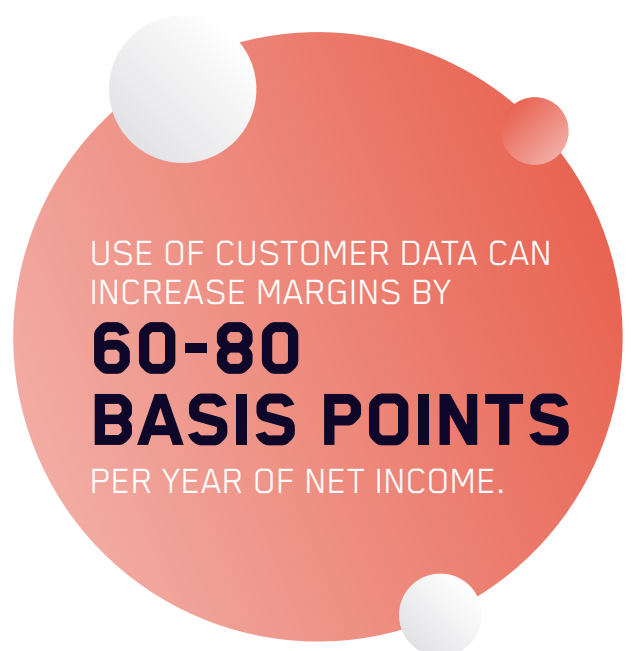
This means any initiatives to improve data use require a cross-company effort that meshes different people's perspectives, skills and understanding. Such initiatives can only be directed from the boardroom.

“People who understand data have the background of technology, not retail - you need to have both profiles meshed to advance these models.”

- Professor Nueno

Get this right, however, and the rewards are clear to see on the bottom line.

Prof Nueno stated that by making the most of this valuable asset, retailers could see increases in their margins of between 60 and 80 basis points of net income per year.



TACKLING THE BARRIER OF CONSENT

To achieve these results, firms must be data-mature, and this means overcoming some of the key barriers that stand in the way.

For example, one issue is that it is not only businesses who care about data and recognize the value this can bring customers are also increasingly aware of how precious their data is and what it is worth to brands.

“Privacy is really holding back retailers - they want the data but they don’t want to bother the customer.”

- Alfonso Urien

This leads directly to the matter of consent. In today's GDPR and CCPA-focused world, explicit permission and informed consent will be required for every data point businesses wish to use.

Alfonso noted that in many cases, this actually dissuades companies from building useful data platforms, as, while they want to be able to use the data, they don't want to appear intrusive or bothersome to customers by continually asking for permission or worry that consent will be refused - thereby reducing the effectiveness of their investments.

As such, in order to gain consent, Ben observed it's vital that consumers get something in return for their data in the form of better customer experience or more relevant communications and offers.

Indeed, he noted that according to PwC, almost three-quarters of consumers (73 percent) say a good customer experience is the number one factor they consider when deciding whether to buy from a brand and good use of data is essential in delivering on this.

By using data to identify what customers want, this will help retailers with the shift to a more customer first mentality and meet these expectations.

“If I feel like I’m being served something that’s more relevant to me, that’s a better customer experience.”

- Ben Marnan

73% OF CONSUMERS
RATE CUSTOMER EXPERIENCE AS THE
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- PwC



FIRST-PARTY DATA BUSINESS MODELS FOR RETAILERS

For most retail brands, their use of data starts with the first-party information they have on their customers, often collected via loyalty programs.

But while in theory, this represents great potential to gain insight and offer a better customer experience, in practice the use of this data can remain very ineffective.

This can be seen clearly in grocery brands, almost all of whom have very well-publicized loyalty schemes that gather vast amounts of data.

Yet despite this, Alfonso noted that this category of retailers has some of the lowest loyalty levels of any vertical in the sector indicating that such programs alone are not enough to retain and excite customers.

WHY LOYALTY SCHEMES AREN'T DELIVERING RESULTS

1 IN 3 FIRMS

WITHOUT LOYALTY PROGRAMS
WILL LOOK TO START ONE BY 2027.

Gartner

What's more, in many cases, the use of loyalty cards is a one-way benefit. Often, businesses use these schemes to collect data on their users, which may be sold on for profit, but otherwise do little or nothing with the information they collect.

There may be a multitude of reasons for this, such as failure to gain consent for processing, a lack of time or money, or not enough expertise.

But whatever the reasons are, the outcome will be the same - a one-way channeling of data that fails to benefit the customer, which in turn undermines any incentive for them to hand over their data in the first place.

Despite these shortcomings, loyalty schemes remain a key priority for retailers. The majority of big brands already have them, while Gartner notes that a third of those without such schemes have plans in place to change this by 2027.

However, this in itself creates problems because most brands do little to differentiate their offerings.

Prof Nueno said that, if the average consumer has 20 different loyalty cards in their wallet, it's difficult for them to identify any specific benefits, or even remember which ones they have.

“Retailers just collect data and don't have the time to refurbish it and use it to improve their loyalty programs.”

- Professor Nueno

“Loyalty programs have a big problem in that they are becoming undifferentiated - each of us carries 20 loyalty cards and every company has a loyalty card.”

- Professor Nueno

Such collection of information via such schemes makes brands 'drivers of data', insomuch as they gather it up, but it does not make a retailer data-driven. To achieve this transformation, brands must make the use of data a two-way activity.

CREATING A BETTER CYCLE OF DATA

Retailers must therefore look at how the first-party data they collect can be used to derive real insight, such as more personalized interactions with customers.

Get this right and brands can start to generate what Boston Consulting Group calls a 'virtuous flywheel', where the use of data creates insight that feeds into more personalized interactions.

In turn, this leads to greater loyalty and more business from the customers - which then creates more data to be turned into more insight, and so on.

A key factor in this is to define exactly what is meant by 'personalization'.

Many brands see this as synonymous with having more individual, one-on-one conversations with customers, but this is only a small part of what personalized interactions entail.

Ben explained that personalization is in fact a wide-ranging term for a large variety of activities. In order to deliver a good strategy for this, brands should instead focus their attention on becoming more relevant to customers or more specifically, avoiding being irrelevant to them.

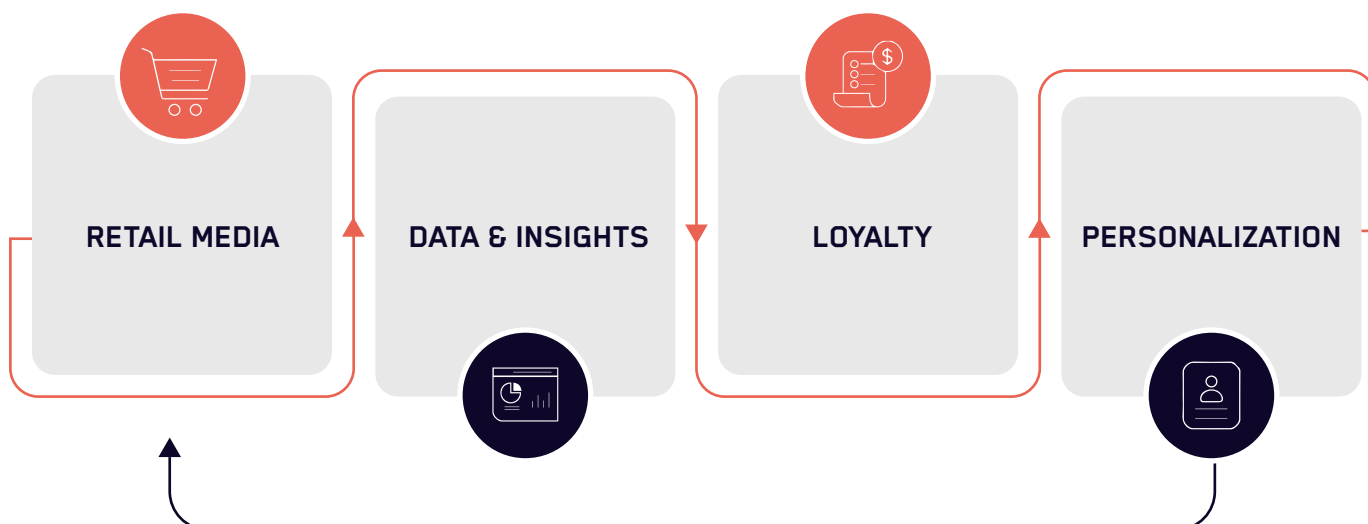
This is a key aspect in improving customer experience and retaining customers.

“Personalization is a catch-all term for a real sliding scale. It shouldn’t always be one-to-one personalization.”

- Ben Marnan

'VIRTUOUS FLYWHEEL' OF PERSONALIZATION

- BCG



THE FUTURE OF THE RETAIL BALANCE SHEET

So what do these issues mean for the use of data in the retail sector in practice, and the future of these brands balance sheets? It's clear that in order to effect a cultural change, brands will need to marry the expertise they have in retail with technological know-how.

This leads to the question of how retailers pursue their data goals - namely do they build, buy or partner in order to secure the infrastructure tools they need?

THE NEED FOR COMPETITION

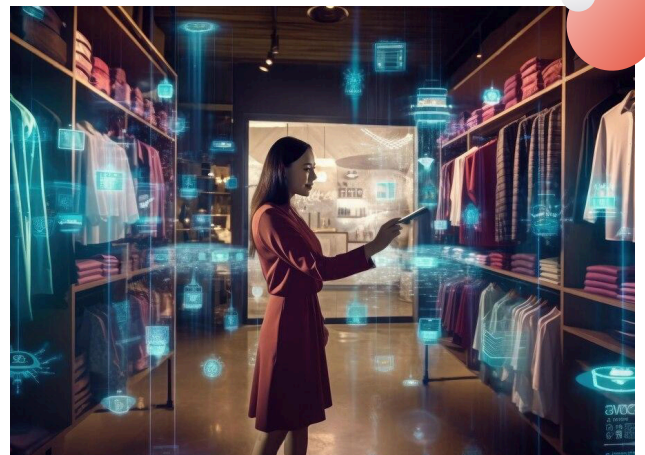
For most mid-market brands, the answer will lie in collaboration - both with each other and with external partners - and the emergence of privacy-safe insight marketplaces will drive this forward.

“It is hugely reassuring to data providers to see that it is not their data that is sold but the insights that are derived from it.”

- Alfonso Urien

The Intent xChange holds data from multiple sources in secure vaults, and Insight Makers generate insights from this data that is subsequently monetized - it is hugely reassuring to data providers to see that it is not their data that is sold but the insights that are derived from it, utilizing the latest data science techniques in large behavioral models.

It's important for these retailers to recognize that their main competitors are not each other, but the bigger brands - such as Shein and Temu in fashion, for example - who have a built-in advantage due to the scale of data they possess. Only by working together alongside technology experts can other retailers overcome this and make the most of their data.



“The moment leading retailers see success with data, competition will immediately increase.”

- Professor Nueno

This will be particularly important for European retailers, who are generally less data mature than their counterparts in the US. To address this, more competition will be required.

However, Prof Nueno noted that if similar patterns are followed, once the biggest brands start to show results from their data initiatives, it can be expected that this will kickstart a revolution in data, as was the case in the US, with other major brands quickly looking to follow the lead set by Amazon once the benefits became clear.

TIMELINESS MATTERS

In addition to relevance, it's important to focus on timeliness when adding data insights to retailers' messaging and identifying the best moments to engage.

This will be particularly crucial when it comes to retail media, which is growing in importance and will account for around a quarter of all digital media spend by 2026

Timeliness is an essential part of marketing, as even the best-optimized and personalized messaging will get lost in the noise if it's sent at the wrong time.

Therefore, if future retail marketing efforts are to be successful, being able to turn to big data to gain insights into this area is just as important as being able to tailor the right message to the right customer.

CONCLUSION

What should be clear to retailers is they need to be much more than just gatherers of data.

Loyalty schemes that focus solely on collection without a clear plan for how they will be turned into insight that gives benefits back to customers are not a useful strategy for long-term customer retention, especially in an era where informed consent must be actively obtained.

Equally important is the recognition that loyalty schemes only describe the consumer in relation to the scheme owner's business - the limitations of the scope of transactions are clear and obvious.

Every brand needs to understand the consumer at a wider level in order to be truly relevant, and that means gathering new first-party data that shines a light on the consumer, their actions and their interests beyond the horizons of the scheme operator and their transactional universe.



RETAIL MEDIA WILL ACCOUNT FOR
MORE THAN 25%
OF DIGITAL MEDIA SPENDING
BY 2026.

- BCG

“To use generative AI, brands need to be data mature.”

- Alfonso Urien

Ultimately, it will be retailers that are able to move beyond traditional data models to more dynamic signal-based insights that will be the ones most likely to survive the retail revolution.

With the biggest players having a starting advantage, building partnerships, embracing technology such as artificial intelligence, engaging with Insight Marketplaces like the Intent xChange, and creating new, broader first-party data through capabilities like Intent Edge will be the best way for retailer to deliver a more personalized, relevant experience to customers.

CONTRIBUTORS



PROFESSOR NUENO
PROFESSOR OF MARKETING

José L. Nueno is a professor of Marketing and holds the Intent HQ Chair on Changing Consumer Behavior at IESE Business School. He earned a PhD in Business Administration (Marketing) from Harvard University, an MBA from IESE, and a law degree from the Universitat de Barcelona. José's expertise lies in distribution channels and manufacturer/distributor relationships, and he has contributed extensively to literature on globalization, consumer and luxury goods marketing, and relationship marketing. He has taught at several esteemed business schools, including INSEAD, and served as a visiting professor at the University of Michigan.

José actively participates in educational programs across Latin America, most recently at IPADE in Mexico and INCAE in Costa Rica. Additionally, he has directed executive sessions for over 100 corporations and spoken at industry meetings and conferences worldwide. José is a prolific author, publishing numerous articles and books on marketing topics. He serves on the boards of several international companies. He has been a corporate consultant for over three decades, providing strategic guidance to national and international corporations in marketing and strategy.



ALFONSO URIEN
DIRECTOR, IESE DATA
INSIGHTS CENTRE

Alfonso Urien is a seasoned entrepreneur and executive with a rich background in business management. He holds an MBA from IESE Business School and an MSc in Mechanical Engineering. Alfonso's journey is marked by his spirit of entrepreneurship and innate curiosity.

His professional journey includes launching ventures like Ready 4Ventures and Adogre, and founding a venture capital firm in northern Spain. His diverse experience spans significant sectors, including aerospace with roles at Rolls-Royce and ITP Aero, and consulting at firms such as Idom and NTT DATA.

Alfonso directs the Intent HQ Chair at IESE, playing a pivotal role since joining Intent HQ in 2021. His multifaceted career and leadership across various industries underscore his versatile expertise and vision in steering business innovation.



BEN MARNAN
DIRECTOR OF DATA
STRATEGY AND INSIGHTS

Ben is the Director of Data Strategy and Insights at Intent HQ, where he heads a team that helps clients maximize the value of first-party data and Intent HQ AI-generated human-like behavioral data enrichments and insights.

He is passionate about using data to help brands find the right customers, spending his time using data to present solutions, find opportunities, and help anyone who can benefit from a greater understanding of their customers. Ben is a self-proclaimed advocate of relevance and ensures that customer benefit (as well as client) lies at the heart of every insight.

ABOUT INTENT HQ

Intent HQ is an AI customer analytics platform that helps businesses utilize previously untapped data sets to understand their customers better and increase customer value. Named AI Company of the Year at the British Data Awards 2024, our proprietary technology allows brands to securely integrate behavioral data sets to improve their customer engagement, increase their marketing campaign's success, reduce customer loss, and create new revenue streams while keeping customer data private, and compliant with regulations.

Also recognized as one of the fastest-growing companies in Europe on the FT1000 three years in succession and declared by STL Partners in the Top 100 Edge Computing Companies of 2024, Intent HQ is a global team of 100+ data scientists, digital marketers, CRM experts, and data engineers with operations in London, New York, Barcelona, Tel Aviv, and Lisbon.

FOR MORE INFORMATION ON HOW INTENT HQ CAN HELP
RETAILERS DRIVE VALUE FROM CUSTOMER DATA,
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