

Customer-centric marketing – How Kognitio WX₂ helps El Corte Inglés succeed

Using Kognitio WX₂, we can substantially increase the accuracy in all aspects of our marketing campaign planning simply by doubling the size of our system, which in turn doubles the size of data it can hold and we can analyze

El Corte Inglés

Innovation

El Corte Inglés (ECI) is a Spanish institution that ranks as the third largest company in the country. ECI has over 60 stores throughout Spain. It offers everything from food to furniture. From dishes to diamonds. From shampoo to shaving kits to Champagne. In Spain, ECI is also an institution recognized for innovation.

ECI has pioneered many marketing approaches to maintain its leadership position. In 1968 it was the first company to introduce credit cards to Spain. By the time of Visa's Spanish launch in the late 70's, the number of ECI cardholders was already substantial. Today, ECI's credit card is used for the majority of transactions in the stores. The information collected from credit card transactions forms the basis of ECI's massive database, held on an IBM mainframe system.

ECI runs many special product promotions every year. These vary from broad-based events like the annual winter and summer sales, to very specific campaigns with targeted appeal.

Press, posters, TV and radio advertising are used to promote these events. The company also uses direct marketing. El Corte Inglés sees direct marketing as a service allowing customers to find information in their catalogues about the products which best meet their needs. Their customers agree. Recently, with the use of Kognitio WX₂, direct marketing has become stronger and more cost-effective, producing better returns while providing customers with a better, more relevant service.

ECI has a vast amount of customer purchase history to help its personalized direct marketing efforts. ECI's main problem in being able to do this effectively was simply that there was so much data available that it was difficult to extract detailed information in a timely manner. ECI's marketing department set out to "make marketing more intelligent."

Market leadership

El Corte Inglés holds on to its market leadership in part by an aggressive promotional strategy. The company uses broad, seasonal approaches as well as specific, targeted campaigns. The need for equally aggressive marketing strategies, based on the huge volume of generated data was of paramount importance to maintaining ECI's huge market share.

The development of the marketing system for El Corte Inglés was the responsibility of Informática El Corte Inglés (IECI). IECI is a wholly owned but independently managed subsidiary of ECI with a staff of 1,000. The company has contracts in most areas of the Spanish economy, and it has substantial export business in South America (where it acts as the local Kognitio distributor). Based on revenues, Informática is now the third largest computing services company in Spain, surpassed only by IBM and Hewlett Packard.

Informática considered many alternatives for a reporting and analytical system to drive their marketing programs, but ECI's volumes of data would have made all of these very expensive options with no real guarantee of success.

Informática El Corte Inglés was unable to build an application on its mainframe architecture to pull out information that would identify, from previous purchase history, those most likely to be attracted by a particular promotion. So, the company was forced to look at data using sales by department as the common denominator. The sheer volume of the data could not be managed any other way.

Even though the compromise provided an increase in useful information, it caused a time conflict with ECI's mission-critical mainframe system. Query processing for marketing had to be fitted in between regularly scheduled production tasks, and always took second priority to that work.

The Challenge

How does a leading retail company with huge volumes of raw data achieve leadership in personalization of its marketing approach?

The Solution

Using its Kognitio WX₂ system with effective upgrades in size and power, El Corte Inglés has achieved its goal

The ROI

Kognitio WX₂ has helped ECI to consistently run targeted marketing campaigns and substantially increase its business.





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In any case, the IBM system was not suited to the data mining role. A simple query could take a half-hour to answer, a more complex one up to four hours - a long time to tie up a essential business system, and a deterrent to in-depth examination.

Another insurmountable problem was that the questions used to discover a target audience for a promotion relied entirely on marketing management's suspicions of the best or most interested customers. For instance, to build a mailing list for an Oriental rug promotion, the audience was defined as those having larger homes and a high level of income. One of the parameters used for the search was a swimming pool customer. It was thought that people who owned swimming pools would fit the criteria for Oriental rug buyers. Even if that hypothesis were true, there was no way to check the validity of the assumption.

Was this the best way to do target marketing?

A better way

ECI marketing planners explored the data using a front-end package developed in Visual Basic by Informática, which runs under Windows on PCs. IECI also uses HeatSeeker, a part of Exploration STUDIO, Kognitio WX₂'s complete data mining suite of tools, to look for unsuspected relationships between customers, and purchase patterns that might provide additional promotional ideas.

The Kognitio WX₂ database holds a statistically significant sample of the entire ECI database, with sample data used for a week before being deleted and replaced over the weekend, just in time for Monday morning. In this way, data is sufficiently current to be valid for market planning purposes.

The usage of the Kognitio WX₂ database has continued to evolve and so has the system. It's been upgraded to double its size and power. Now, ECI's mail order division uses the Kognitio system. This division has grown rapidly. It's built a database of mail order shoppers who live outside of the stores' shopping areas. That customer database is now big enough to warrant using the same analysis techniques as the main store campaigns.

Doubling up

Now ECI can increase accuracy in all aspects of campaign planning simply by doubling the size of the system, which, in turn, doubles the size of the sample data it can hold.

Initially the Kognitio WX₂ system was used to target promotions as tightly as possible. The objective was simply to cut costs by reducing wasted mailers. As confidence in the system grew, so did the parameters of its use. Today the system helps determine how big the optimum target audience for each promotion is, and helps set budgets accordingly. The result has been a shift in promotional spending, with more money applied to direct marketing compared with other promotional techniques.

ECI is also using the system to evaluate campaigns. When a target group is identified they will be sent the mailing pieces, but, as a control, a statistically significant group will not receive the mail. After the promotion, sales to the mailed group, to the control group and to those who were not targeted are analyzed. This helps determine the campaign's effectiveness. It also helps determine whether there were other identifiable customer segments in the unmailed group that should be included in any similar campaigns in the future. The system also provides information on the value of promotion costs compared with measurable sales to the target audience. It also helps evaluate other creative approaches.

In an innovative company hungry for information, El Corte Inglés knows that with Kognitio, they have the best system for customer-centric marketing in Europe.

Kognitio provides solutions to business problems that require acquisition, rationalization and analysis of large and/or complex data

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