Telefonica

Dynamic Insights

Smart Steps

Big decisions made better

Smart Steps increase Morrisons new and return customers by 150%_

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GfK

Retailer takes a new approach to boost its return customers

Morrisons is the UK's fourth largest food retailer, with high quality products and a strong ethical approach to sourcing. So you wouldn't expect it to have much trouble getting people through the doors of its 400 stores.

But with each household going shopping an average 4.9 times a week, averaging at two to three different supermarket brand visits in a twelve week period, Morrisons needed to find a new way to increase the number of customers visiting its stores. Without investing in a huge loyalty card programme.

Crawford Davidson is the Customer Director at Morrisons Supermarkets. It was his challenge to find a way to attract and retain more customers, without investing in a nationwide loyalty scheme like many of its competitors.

"Unlike some of our competitors, we don't have a store card to tell us who our customers are, and how they shop our stores, which means we're at a disadvantage in targeted marketing. Over-rewarding one loyal customer disadvantages us in investing in the next."

Crawford continued, "We also needed to avoid effectively wasting budget talking to customers who simply cannot get access to our stores. Instead, we needed to focus our resources on the customers who are in the vicinity or within good transport links. Smart Steps helped us target our investment on our customers better than we have been able to before, really levelling the playing field."

MORRISONS

Smart Steps is a data analytics tool from Telefónica Dynamic Insights built in partnership with GfK, which shows trends of how many people visit an area by time, gender and age, using anonymised and aggregated data from the O2 mobile phone network.

Real customer insights

TV, press, billboards – there are a number of ways to communicate great deals to the public. But a method traditionally favoured by supermarkets, including Morrisons, is to use targeted coupons to communicate great deals directly to the right people via door drops. The challenge facing supermarkets that use this method and do not have loyalty schemes is one of targeting. For Morrisons, the decision of which post code areas to distribute the coupons to was based on mathematical modelling, so it was all estimated.

"We always ran the risk of sending coupons to people who were never going to use them. There are print and distribution costs to think of and, what's more, we lose revenue selling discounted products to customers who have no intention of returning.

"What Smart Steps offered us was a means to get real customer insight, instead of estimates. Using weighting and with Telefónica Dynamic Insight's expertise, we could clearly see the best areas to target, and also the areas that we should avoid," said Crawford.

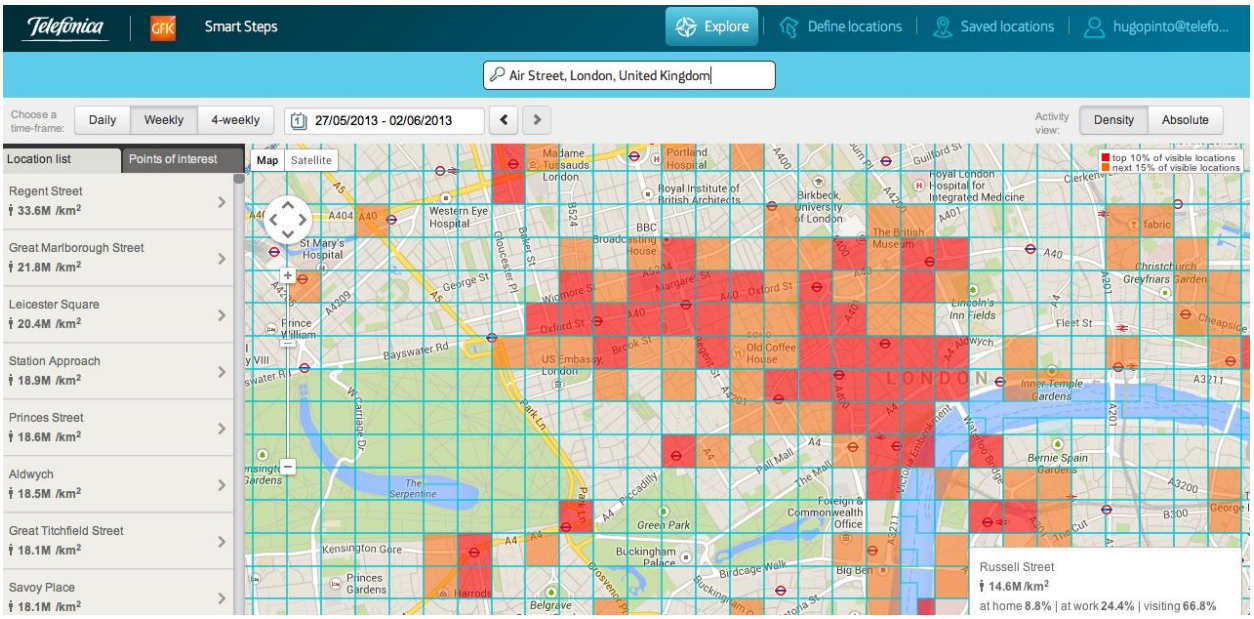
"There's nothing else like Smart Steps on the market. Using its analysis of journey patterns, we could avoid sending coupons to households who already shop with us regularly, and combined with insight from gravity modelling, avoid targeting households in the direct vicinity of a competitor."

Morrisons decided to run a trial as part of a campaign in the South West of England. Of 11 million households, approximately 400,000 were targeted using insight from the team at Telefónica Dynamic Insights and Smart Steps.

"The results speak for themselves," said Crawford. "Smart Steps identified many more suitable target post code sectors, enabling us to send promotional coupons to double the number of households. This in turn generated an increase in the proportion of new customers who responded to the offer. This increase in customers was achieved without any reduction in customer spend, and with an improved new customer activation rate. Overall there was a 150% increase in the amount of new or reactivated customers who visited Morrisons stores. This is a fantastic result."

A level playing field

While most major supermarket brands invest in huge CRM systems and loyalty card schemes, they usually mean a sacrifice of 1% of a retailer's annual revenue. Smart Steps helps Morrisons to get similar results and increases in loyalty without such an investment.



“We see Smart Steps as a step in the CRM journey for us and for other retailers in the same position. Using the tool, along with Telefónica’s network and investment, has brought us closer to our customers in the trial area, while closing the playing field with other big retailers who are already benefiting from loyalty programmes. In fact, it can take upwards of ten years to get the same amount of data using a loyalty programme, so this is a fantastic and fast way of enabling the same levels of targeting.”

Crawford continued: “There were postal areas that Telefónica advised us not to target, but as this was a test, we chose to go ahead with these areas to understand the difference in performance – just to see if Telefónica were right. Those areas did prove to be far less efficient, showing us that Smart Steps and the insights from Telefónica really are second to none.”

A hint of the future

Confident that Morrisons can continue to get positive results by combining the traditional door drop with insights from Smart Steps, Crawford has plans to extend the programme beyond the South West.

“We’re already working with Telefónica to identify how the model can be scaled up – potentially nationwide – to help our stores more successfully reach customers everywhere. So far it’s looking good; Smart Steps is a really cost-effective investment and we’ve got big aspirations for it.”

Business Development Team

01200 538001

smartsteps@telefonica.com