

May 1, 2015

# CUSTOMER ENGAGEMENT: DATA CAPTURE

*in partnership with:* ROSETTA®

**L2** INSIGHT REPORT



## Data Gathering for Personalization

Marketers are continuing to build on lower funnel-oriented digital marketing to drive customer engagement with half prioritizing investments in CRM in 2015, and 36 percent in email platforms.<sup>1</sup> Investments are shifting to cloud-based SaaS CRM systems to replace or support existing infrastructure, allowing marketers to breakdown silos and easily combine data from a wide variety of cross-channel sources to support a personalized and holistic customer marketing experience.<sup>2</sup>

Agile CRM systems open the possibility of more nimbly combining data from a variety of sources including online registration, loyalty clubs, email marketing, online sales, credit card transactions, point of sales programs and special offers. They also facilitate bringing together data from desktop, mobile and offline sources. While digital direct-to-consumer sales and loyalty programs are often the impetus for these investments, they can dovetail and integrate internally with social, media and site data, as well as externally with the evolving user-based marketing technologies from Facebook, Google and others which leverage personally identifiable data.

As brands gather data and develop customer databases, they must navigate conflicting consumer signals regarding data privacy and personalization. Supplementing consumer-provided information with data gleaned from consumer purchases and other interactions can minimize the risks of driving consumers away. Loyalty programs also provide brands an opportunity to maintain a direct consumer relationship based on mutual benefit as brands collect deep customer data that enables meaningful, personalized offers which in turn increase consumer loyalty.

1. Econsultancy, Marketing Budgets Report, 2015.

2. "Gartner Predicts That By 2015 More Than 50% Of CRM Will Be Deployed As SaaS," Louis Columbus, Forbes, May 28, 2015.



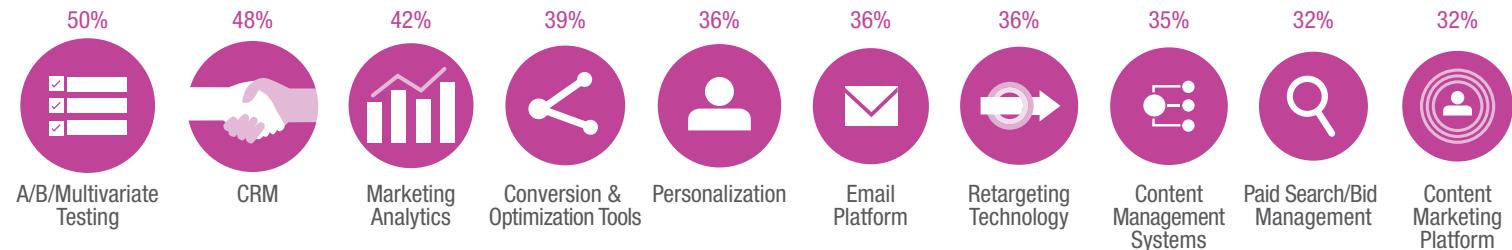
A lot has already been said about Big Data, but it's not about the amount of data, it's about the right data. Start with a variety of data sources and add more over time, building toward a 360-degree view of the customer. Each additional data source is like an IQ boost to your messaging."

**JOE LOZITO**  
Chief Technology Officer, Rosetta

## Data Capture: Digital Marketing Investments

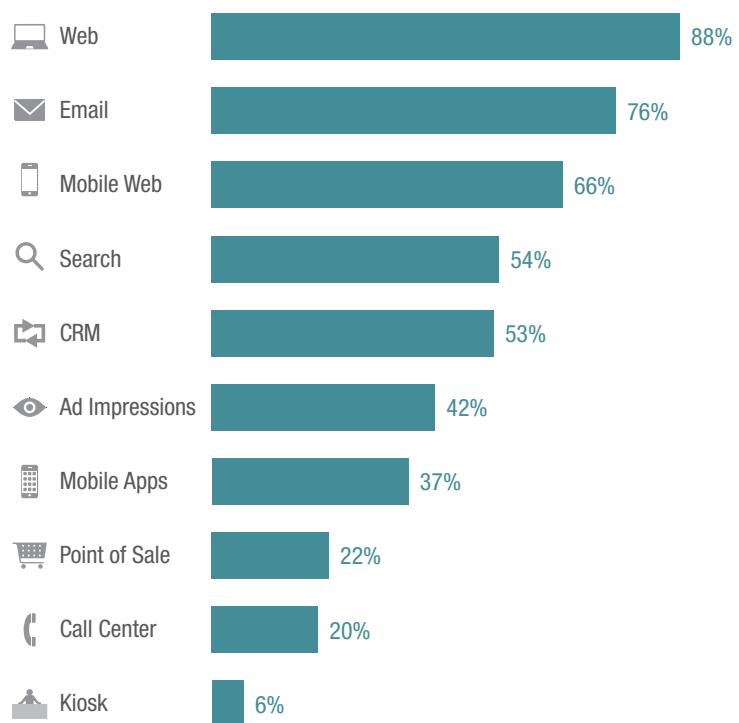
2014, n=221 Brand Marketers

Source: Econsultancy, 2015. Question: In which types of digital marketing technology will you be increasing investment in 2014?



## Data Capture: Channels Where Marketers Collect and Integrate Data

March 2015, n=171 Brand Marketers



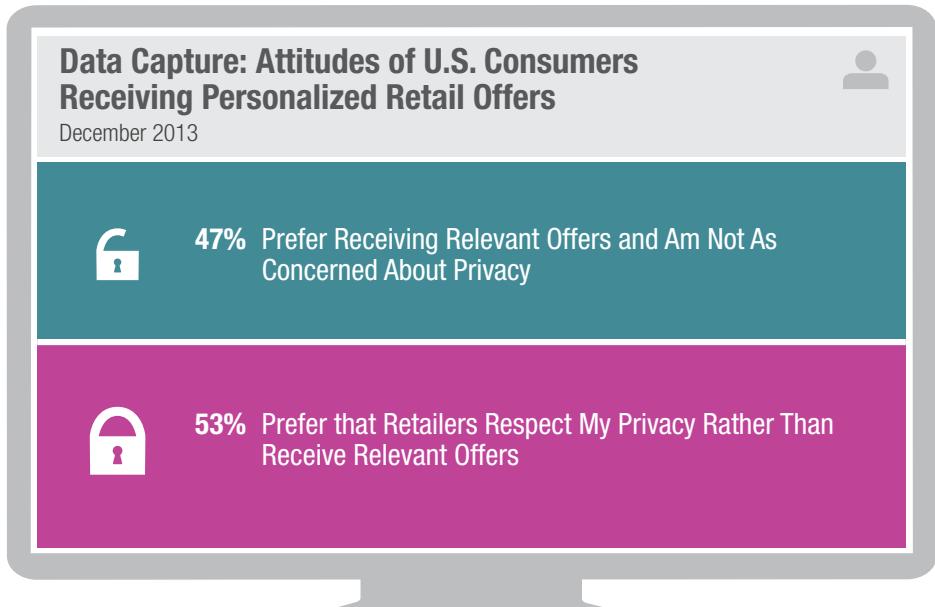
Source: "Preparing for Cross-Channel Success: Solving The Identity Puzzle," Signal, March 2015.

## Balancing Risks and Rewards

Across most categories, brands are only entering the beginning stages of developing personalization capabilities to create an authentic brand experience. The ability to personalize offers, assist with purchase, and follow up after purchase are underrepresented in brands' CRM capabilities.

Brands walk a fine line in collecting personal customer data while building trust, with consumers giving mixed signals as guidance in assessing the trade-offs between data privacy and enhanced service from brands. Overall, brands have yet to build an environment in which consumers perceive a positive use of their data. Half of affluent consumers believe brands share or sell customer data to third-parties or use the data to target ads while only one out of five perceive that they benefit through enhanced personalized service.<sup>3</sup>

However, nearly half of U.S. consumers recently surveyed would prefer to receive relevant messages from retailers and are not as concerned with privacy.<sup>4</sup> Consumers responded even more positively when experiencing personalized shopping through increased engagement metrics.



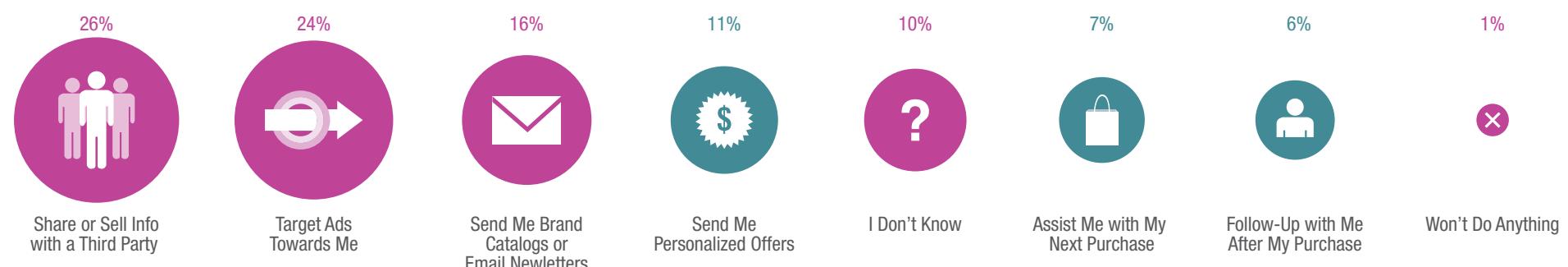
3. "Luxury Brand Wealth Survey: Privacy Trends," Luxury Institute, March 13, 2013.

4. "Business Strategy: Green Lights and Bright Red Lines - Relevancy and Privacy Challenges for 2014," Greg Girard and Holly Brown, IDC, May 5, 2014.

Source: "Business Strategy: Green Lights and Bright Red Lines - Relevancy and Privacy Challenges for 2014," Greg Girard and Holly Brown, IDC, May 5, 2014.

## Data Capture: Perceptions of U.S. Affluents on How Brands Use Their Data

March 2013, n=1,232 Consumers    ■ Negative Perception    ■ Positive Perception

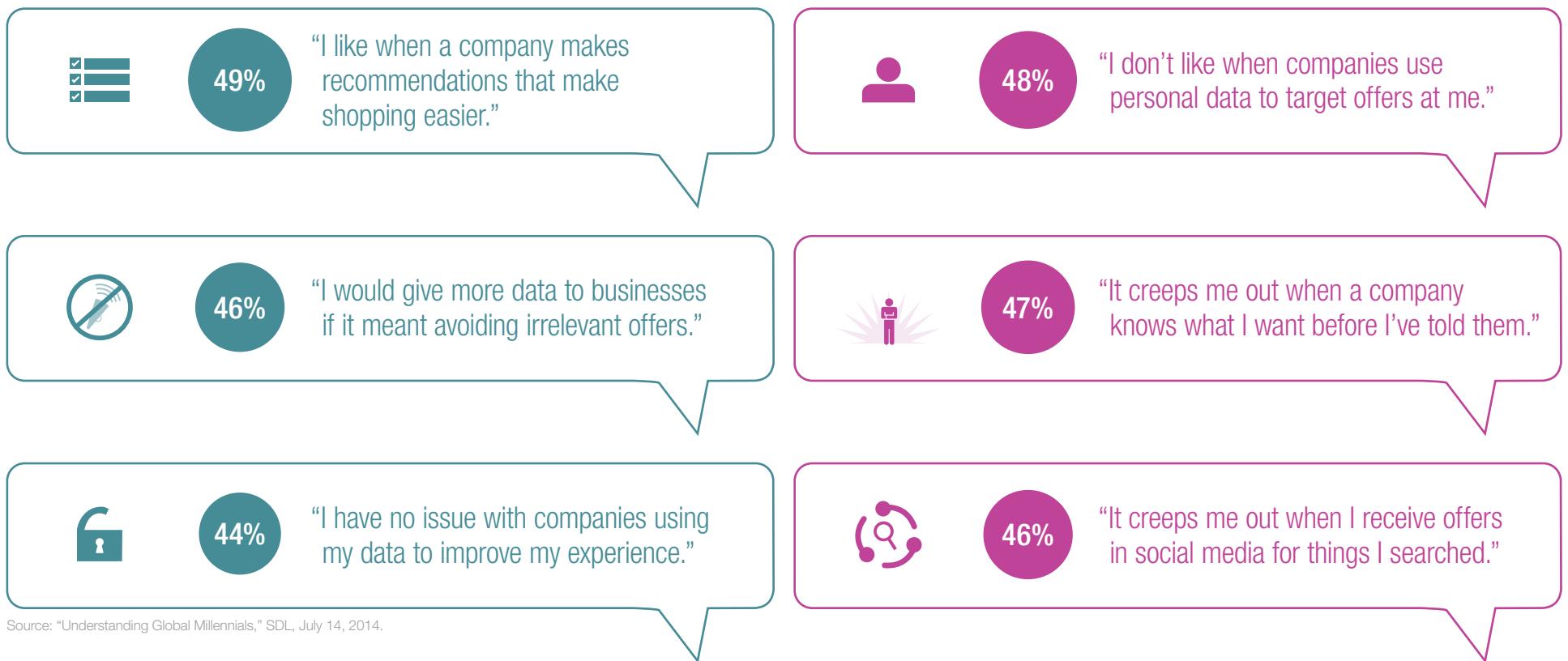


Source: "Luxury Brand Wealth Survey: Privacy Trends," Luxury Institute, March 13, 2013

## Data Capture: Attitudes Towards Marketing and Privacy

Millennial Internet Users Worldwide

April 2014, n=304 ■ Positive Perception of Targeting ■ Negative Perception of Targeting



Source: "Understanding Global Millennials," SDL, July 14, 2014.

“



In order to avoid going over the “creepiness cliff”, consider not just the relevance of the message but the context in which it is served. If you’re going to reveal the level of data access that you have, make sure it’s done where the customer feels safe.”

JOE LOZITO

*Chief Technology Officer, Rosetta*

## Explicit and Implicit Data Capture

Data capture during account creation highlights the tension between the opportunity to collect the data to power a CRM program and the risk of driving customers away by requiring too many fields. Across categories, the majority of brands required consumers to complete anywhere between four to nine data fields to sign-up for site accounts. Some brands required more than 13 data fields to create site accounts.

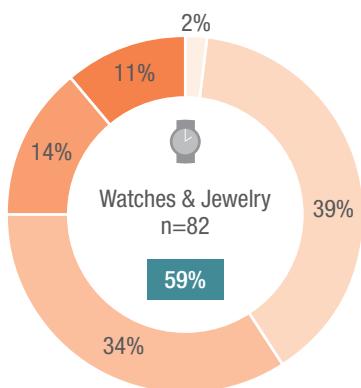
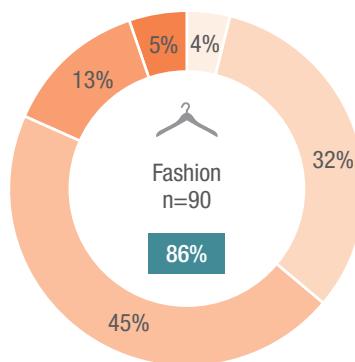
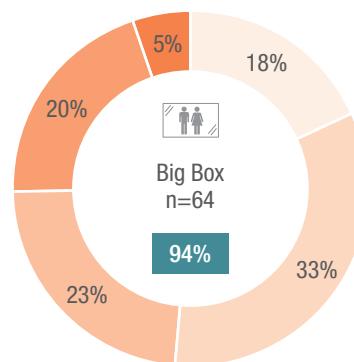
Many brands fail to utilize implicit sources of data to replace or supplement data input by consumers. Ninety-five percent of Sportswear brands have account functionality requesting consumers to explicitly provide personalized information such as sports activities and product preferences. However, much of this data and more can be implicitly captured during the checkout process, through monitoring the products purchased, product attributes, frequency of purchase, product sizing, shipping address, and gender.

### Data Capture: Number of Data Fields for Account Sign-Up

November 2014–February 2015



1–3    4–6    7–9    10–12    13+    Percent of Brands with Account Sign-Up



Percentages may not sum to 100% due to rounding.



## Explicit and Implicit Data Capture (Cont'd)

### EXPLICIT

**new balance**

Shoe Size      Shoe Width      Shirt Size      Pant Size

**ACTIVITIES (Check all that apply)**

Running     Walking     Hiking  
 Baseball     Cross-Training  
 Running     Walking  
 Baseball     Yoga  
 Lightweight     Cross-Training     Track & Field  
 Made In USA  
 Cushioning     Motion Control     Customizable  
 Wide Widths

**WHAT DO YOU DO?**

Lightweight     Cross-Training     Track & Field

**OTHER INFO**

How many hours per week do you work out?

How many miles per week do you walk?

How many miles per week do you run?



**Create New Account**

To become a VIP, register today at Footlocker.com. As a registered user you'll have easy access to your shipping and billing information. As a VIP you'll receive exclusive offers and access to special events!

**LOGIN INFO**

\* E-Mail    \* Password  
   
 Confirm Password  
 What is your birthday? Month  Day  Year

**BILLING ADDRESS**

\* Country: United States  
 \* First Name  
 \* Last Name  
 Street Address 1  
 Street Address 2  
 Zip Code  
 City  
 State  
 Phone

**SHIPPING ADDRESS**

Check here if billing and shipping addresses are the same and we will fill out the shipping address  
 \* Country: United States  
 \* First Name  
 \* Last Name  
 Street Address 1  
 Street Address 2  
 No street address?

**SURVEY QUESTIONS**

What's your gender?   
 Which two sports do you participate in the most?   
 What shoe size do you wear?

### IMPLICIT



**SUMMARY**

<b>SUBTOTAL</b>	\$175.00
<b>ESTIMATED SHIPPING &amp; HANDLING</b>	\$0.00
<b>TAX</b>	\$15.53
<b>TOTAL</b>	<b>\$190.53</b>

**IN YOUR CART**

**ARRIVES 05/04**

Jordan CP3.VIII iD Men's Basketball Shoe  
 Sz: **Size: 11** 92  
 Size: 11  
 Qty: 1  
 DESIGNID: 751777552  
 \$175.00

**EDIT**

**1. SHIPPING**

**PRIMARY ADDRESS**  
 Jacob Matthews   
 New York, NY 10028

[+] ADD NEW ADDRESS  
 New York, NY 10028

**SHIPPING METHOD:** Standard (Arrives 05/04/2015) **FREE**  
 Orders placed after 5pm EST begin processing the next business day.

**NEXT STEP**

**Required Fields**

**Region**

**Size**

**Sport/Gender**

New Balance and Foot Locker provide lengthy forms for customers to complete, capturing data like gender, shipping address, and athletic activities.

Much of this data can be captured implicitly during the checkout process as on Nike.com.



## Loyalty Programs

### Cross-Channel Integration

Marketers have identified that having a complete view of consumers across marketing touch points and distribution channels is more important than acquiring and retaining new ones.<sup>5</sup> However, as consumer behavior and marketing communications become increasingly fragmented across platforms and channels, obtaining a holistic view of consumers' collective online and offline activity becomes more difficult. This is especially true for brands that have large networks of stores with less control of distribution. For those which do have distribution control, point-of-sale (POS) intrusions, which account for 31 percent of data breaches, create additional challenges for in-store collection of customer data.<sup>6</sup>

To capture customer metrics across all shopping channels, The North Face turned to a technology enabled loyalty program that ties together online and offline platforms, while also taking measures to combat POS data privacy and security issues. The VIPeak program provides rewards to customers that engage with The North Face brand online, at retail stores, on a mobile device, at branded events and across social media channels.<sup>7</sup> In addition to redeeming points for cash back credits, the program offers a more brand-equity conscious redemption option of exclusive events and experiences such as climbing clinics and lift tickets as opposed to product discounts.<sup>8</sup> The program, which acquired an estimated 400,000 members within its first year, has successfully captured 50 percent of all transactions, increasing member repeat purchase rates three-fold and doubling year-over-year retention rates.<sup>9,10</sup>

5. "Why CRM data silos hobble a 360-degree customer view," Ashley Smith, TechTarget, April 1, 2015.

6. "2014 Data Breach Investigations Report," Verizon, April, 2014.

7. "The North Face VIPeak," TIBCO Engage, 2015.

8. "VIpeak Rewards," The North Face, April, 2015.

9. "The North Face VIPeak," TIBCO Engage, 2015.

10. "North Face Customers Are 'Experiencing' The VIPeak Loyalty Program," Jim Tierney, Loyalty360, October 1, 2013.

The screenshot shows the The North Face website's loyalty program section. At the top, there's a navigation bar with links for MEN'S, WOMEN'S, KIDS', EQUIPMENT, SHOP BY, EXPLORATION, INNOVATION, GET OUTDOORS, and a FREE GROUND SHIPPING offer. Below the navigation is a banner for the ENDURANCE CHALLENGE, featuring a male runner and text about the challenge and registration. The main content area displays several endurance race events: MAY 2 - 3, 2015 NEW YORK - TRAIL, MAY 2 - 3, 2015 NEW YORK - TRAIL, JULY 18 - 19, 2015 ONTARIO - TRAIL, OCTOBER 3 - 4, 2015 WISCONSIN - TRAIL, and 2015 WASHINGTON, D.C. - TRAIL. To the right, there's a section for the VIPeak program with a mountain background, titled 'EXPLORATION REWARDED'. Below this are sections for 'Rewards Certificates', 'EARN CASH BACK CREDIT JOIN FOR FREE', 'EARN PEAK POINTS GET INVOLVED', and 'PEAKPOINTS ANNUAL STAY INFORMED'.

The North Face's loyalty program promotes engagement outside of purchase through events including their endurance challenge series.

## Loyalty Programs

### Walled Gardens

Properly executed, loyalty programs can increase revenues and decrease consumer churn by leveraging data to identify, communicate and deliver on rewards which create deep and meaningful consumer ties. The volume of rich transactional data collected by retailer loyalty programs creates a walled garden which enhances personalization and targeting capabilities.

By leveraging loyalty programs' in-store transactional data, brands take a closer step toward gaining a holistic view of individual customer shopping preferences. Major drugstore chains have shown a deft ability to track customers in-store. For example, Walgreens' Balance Rewards program, at 100 million members strong, now captures 70 percent front-end sales.<sup>11,12</sup> The CVS ExtraCare loyalty program and Rite Aid's Wellness + Rewards program successfully track 84 and 77 percent of front-end sales, respectively.<sup>13</sup>

Credit card integration is another common loyalty program feature, used by 63 percent of brands with loyalty programs in the [L2 Omnichannel Retail Intelligence Report](#). Credit card programs provide the retailers with customer data to leverage for insights and marketing. In addition, credit card companies can be valuable partners for retailers with restricted data investment and capabilities. Home and Department Stores especially have invested in credit card offerings; every department store in the study offers a credit card to members.

11. "Walgreen's CEO Discusses F2Q 2014 Results - Earnings Call Transcript," Seeking Alpha, March 25, 2014.

12. "Drug Store Loyalty Programs Bring High Front-End Sales," Colloquy Loyalty Talks, February 25, 2014.

13. Ibid.

## Data Capture: Select Drugstore Loyalty Programs

2014

★★ Program	Launch Year	# of Memberships	\$ Percent of Front-End Sales	Mobile App
<b>Walgreens</b> Balance Rewards	2013	100M 	70% 	
<b>CVS</b> pharmacy ExtraCare	2001	70M 	84% 	
<b>RITE AID</b> Wellness + Rewards	2010	52M 	77% 	

Source: "Drug Store Loyalty Programs Bring High Front-End Sales," Colloquy Loyalty Talks, February 25, 2014; "Walgreen's CEO Discusses F2Q 2014 Results - Earnings Call Transcript," Seeking Alpha, March 25, 2014; Loyalty360: 2014 CVS Annual Report.

## Data Capture: Credit Card Intergration with Loyalty Programs

★★★★

Percentage of Loyalty Programs, Q1 2014, n=41 Brands with Loyalty Programs



## In-Store Data Capture

Retailers are taking in-store customer data collection a step further using a combination of video, beacon, Bluetooth and Wi-Fi technologies to track in-store consumer behavior for personalized offers. Walgreens is using 3D augmented reality store mapping, powered by Google's Tango technology, with mobile app partner Aisle411. Store shoppers are tracked down to the centimeter and offered product coupons and special offers based on in-store location. Rewards points are also offered for visiting sections of the store to encourage product discovery and increased basket sizes.<sup>14</sup>

Bloomingdales, Mont Blanc and Procter & Gamble are also among some of the brands to employ third-party technology (RetailNext) to gather and analyze in-store customer data by means of video surveillance, passive Wi-Fi tracking, credit card transactions and POS systems.<sup>15</sup>

14. "Walgreens Tests Google's Augmented Reality for Loyalty App," Kate Kay, AdAge, July 1, 2014.

15. "RetailNext Raises Another \$30 Million To Track In-Store Data," Jonathan Shieber, Tech Crunch, July 8, 2014.

### Walgreens



Walgreens is enhancing the capabilities of its app by adding a 3D augmented reality application that helps customers navigate the store and locate specific products.

Source: Aisle411.

## Data Capture: In-Store Data Capture and Analytics Vendors



### Vendor



Project Tango



Aisle411

### Services



Three-dimensional maps of indoor spaces track consumers within a centimeter; layers inventory onto floor plan maps; used to target coupons and offers

### RETAILNEXT



Combines sources (video, Wi-Fi, POS, etc.) for analytics; recent partnership with StepsAway for hyper-local deals

### Nomi (BrickStream)\*



Analytics sensor combines video, Wi-Fi and beacons for end-to-end in-store tracking; used to deliver real-time mobile campaigns

bloomingdales



Not Publicly Available

### euclid



Window conversion, loyalty and cohort analysis run via store Wi-Fi signals or dedicated sensors

NORDSTROM

\* Brickstream changed its name after buying and merging operations with NOMI in 2014.

# THE TEAM

## INSIGHT REPORT CUSTOMER ENGAGEMENT: DATA CAPTURE

For sole use of ali.brady@rosetta.com



### Scott Galloway

*Professor of Marketing, NYU Stern*

*Founder, L2*

Professor Galloway founded L2 after developing an algorithm to assess the digital competence of brands. Scott is a Clinical Professor at the NYU Stern School of Business where he teaches brand strategy and digital marketing. In 2012, Professor Galloway was named "One of the World's 50 Best Business School Professors" by Poets & Quants. He is also the founder of Red Envelope and Prophet Brand Strategy. Scott was elected to the World Economic Forum's Global Leaders of Tomorrow and has served on the boards of directors of Eddie Bauer (NASDAQ: EBHI), The New York Times Company (NYSE: NYT), Gateway Computer, and UC Berkeley's Haas School of Business. He received a B.A. from UCLA and an M.B.A. from UC Berkeley.

### Maureen Mullen

*Co-Founder, Director of Research & Advisory, L2*

Maureen leads L2's research and advisory practice, where she helped develop the Digital IQ Index®. She has benchmarked the digital marketing, e-commerce, and social media efforts of more than 300 brands across pharma, auto, luxury, specialty retail, beauty, and CPG. Maureen also has led digital strategy consulting engagements for a variety of Fortune 1000 clients. Before joining L2, Maureen was with Triage Consulting Group and led managed-care payment review and payment benchmarking projects for hospitals, including UCLA Medical Center, UCSF, and HCA. Maureen has a B.A. in Human Biology from Stanford University and an M.B.A. from NYU Stern.

### Eleanor Powers

*Head of Insight Reports, L2*

Eleanor leads L2's Insight Reports. Before joining L2, Eleanor was SVP, Research & Strategy, at The Online Publishers Association where she produced proprietary benchmarking research for digital content publishers. Eleanor founded Powers Media & Entertainment Consulting, which provided strategy and operation consulting services for over ten years to clients spanning traditional and digital platforms. Eleanor started her career as a consultant to McKinsey & Company. She has a B.A. from Harvard College and an M.B.A from the Stanford Graduate School of Business.

### Joe Lozito

*Chief Technology Officer, Rosetta*

Joe Lozito is Chief Technology Officer at Rosetta. He has over 15 years of experience overseeing the development of personalized marketing and commerce experiences spanning many different device types. He has a passion for technology innovation and has started innovation labs across the country. During his 15 year tenure, Joe has overseen the development of extensive software implementations for clients such as American Express, Sprint, Delta and Panasonic.

### Claude de Jocas

*Intelligence Group Director, L2*

Claude started her career at Educational Consulting Services, Corp. in her hometown Toronto before joining L2 in 2012. At L2, Claude has benchmarked the digital footprint of hundreds of brands across the luxury, beauty, hospitality and retail sectors, as well as led advisory engagements for a variety of members. Claude currently manages L2's Intelligence Group, where she leads research production and strategy briefings on new topics in digital. Claude holds a B.A. in Economics and Environmental Studies from Yale University.

### Jake Matthews

*Research Associate, L2*

Jake recently graduated from Cornell University where he received a B.S in Communications specializing in Media studies and Applied Economics and Management. Prior to joining L2 as a Research Consultant, he spent a summer at 21st Century Fox in Los Angeles. While at Fox, he worked for their Broadcast Distribution group during a time of rapid digital expansion and the release of new primetime programming.

### Marielle Gross

*Art Director, L2*

Marielle is L2's Art Director and manages the Graphic Design team. She has worked at a diverse range of companies from corporate annual report and branding design firms to luxury advertising agencies. Marielle received a B.F.A. from School of Visual Arts.

### Olivia Reaney

*Production Artist, L2*

Olivia is a junior graphic designer who specializes in data visualization. Before joining the L2 team, she interned at Lemonly, an infographic design agency located in Sioux Falls, South Dakota. Olivia received her B.F.A. in informational graphics and publication design from Ohio University.

A special thank you to L2 staff member **Mariah Lamb**

## L2 business intelligence for digital.

L2 is a member-based business intelligence service that benchmarks the digital competence of consumer brands and retailers. We provide our member brands with actionable, data-driven insights on their digital performance relative to their peers.



### RESEARCH

Our 50+ annual reports include:

**Digital IQ Index®:** The definitive benchmark for online competence, Digital IQ Index® reports assess the digital performance of the top 60-100 brands across 12 industry verticals and 11 geographies. Brands are ranked against their peers on more than 850 data points diagnosing their digital strengths and weaknesses.

**Intelligence Reports:** Intelligence Reports complement L2's flagship Digital IQ Index® with a deeper dive into the platforms or geographies of future growth. Critical areas of investigation include: Mobile, Video, Emerging Platforms, and Omnichannel Retail.

**Insight Reports:** Series of topical reports complementing The Digital IQ Index® reports with an in-depth analysis of specific tactics and opportunities.



### EVENTS

L2's 60+ global events are the largest gatherings of retail and consumer executives in North America. At our events L2 research leads, academic thought leaders and industry experts provide insight into digital trends, performance and tools.

**The Forum:** At L2's annual flagship TED-style conference, held each November that includes CEOs, industry experts, academics and thought leaders who speak to innovation and inspiration. Senior executives from the world's most iconic brands are in attendance.

**Executive Education Clinics:** L2's version of the one-day M.B.A, our quarterly clinics offer members an in-depth look at the issues, trends, strategies and technologies changing the face of digital.

**Research Briefings:** Held in cities across the world several times a month, these working breakfast or lunch sessions provide members with data and insights from L2's research portfolio.



### MEMBERSHIP

For membership information and inquiries: [membership@L2inc.com](mailto:membership@L2inc.com)

## Upcoming Events

### BREAKFAST: VIDEO

May 15, 2015 · New York

### BREAKFAST: HAIR CARE & COLOR

May 19, 2015 · New York

### LUNCH: VIDEO

May 26, 2015 · Paris

### DIGITAL IQ INDEX® REPORTS:

Hotels: Luxury

Personal Care: China

Hair Care & Color

### L2 INTELLIGENCE REPORTS:

Video

Personalization

### L2 INSIGHT REPORTS:

Fashion: Social Media

Home Care: Amazon & Walmart



# INSIGHT REPORT

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