

dunnhumby
essential customer genius

Winning with retailer data

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1. Background

History of dunnhumby

1989

- Edwina Dunn & Clive Humby
- CRM consultancy

1995

👤 30

- Tesco launch Clubcard
- dunnhumby win the contract to manage the clubcard database
- Provide insight & analysis to Tesco
- Saving Tesco £300m through improved promotional effectiveness

2001

👤 140

- Tesco take 53% stake in dunnhumby
- dunnhumby gains 10 year exclusive rights to commercialise Clubcard data
- Set up dunnhumby retail to provide Insight & Analysis to Tesco suppliers
- First T launched combining clubcard data with TGI data

2002

👤 200

- dunnhumby crucible and cinnamon launched to give a full DM service
- Tesco media sourcing on statement, coupon at till, kids club and lifestyle mailings

2004

👤 330

- dunnhumby reaches 140 FMCG clients
- dunnhumby working with top 30 suppliers to Tesco
- Joint venture with Kroger in USA established which means dunnhumby is working with 2 of worlds top 10 retailers





The basic facts of Clubcard

- used by 75% of Tesco shoppers, responsible for 82% of Tesco sales
- collects every fact about the shopper's basket, trip and location and links these together over time
- owing to Tesco's size in the UK marketplace, 40% of UK households have a card and have used it in the last 8 weeks
- There are 10 million 'active' households on the database



How the data is used

The many uses of loyalty card data fall into two categories:

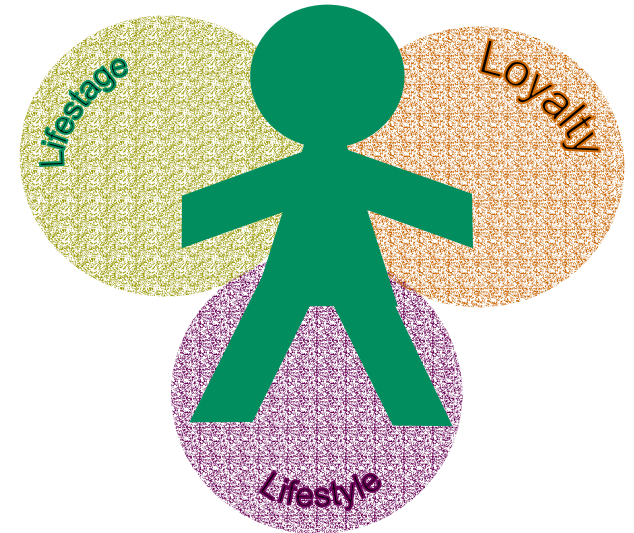
1. Analysis and insight. “Learning about markets, products and promotions through studying shopper behaviour”

2. Customer communications. “Individually tailored marketing to consumers based on individual behaviour”

2. Analysis and insight

Managing the data

- The first major challenge is converting billions of rows of data into something manageable
- First approach is to take only as much data as is needed to answer the question (1%, 10% samples)
- Segmentations also have a key role – “a simple language to describe a complex picture”
 - lifestyle: Price Sensitive through to Convenience and Finer Foods
 - lifestage: Young Adults through to Pensioners
 - loyalty to Tesco: Gone-away to Loyal

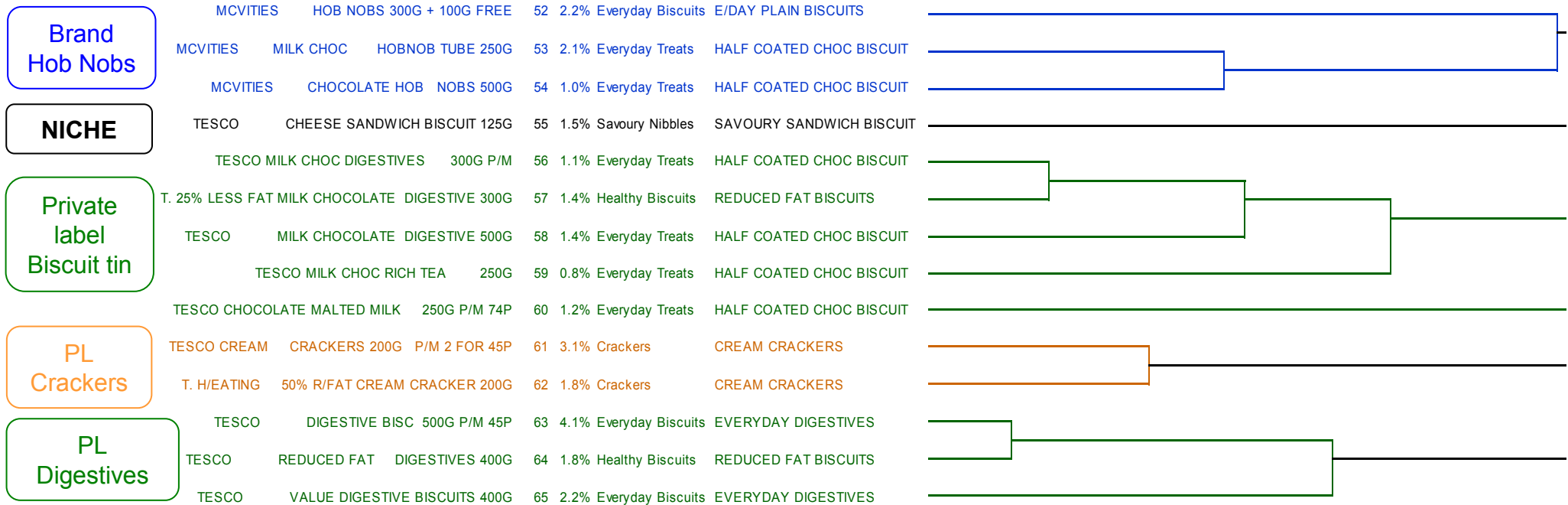


Understanding a category

Example: Substitutability analysis

- Key benefit of customer data is the ability to study cross-shopping behaviour – at both basket and household level
- Studying which products are bought by the same households over time (but not together) = “substitutability”
- This relationship gives us unique insights into how consumers shop the category – based on what they do, rather than what they say

Biscuits decision tree example



- The way products form clusters within the data tells us how consumers view the category
- In some areas, biscuit type is the primary choice, in some pack size, or brand vs. own label
- and a product's "Uniqueness Score" can factor into the ranging process too

Ranging with customer data

- Customer data gathered with Clubcard allows us to understand SKU performance in new ways
- As well as sales, we can understand
 - levels of repeat purchasing
 - depth of penetration versus frequency of purchase
 - product loyalty
 - how different products appeal to different groups
- all aimed at one retail objective:

“ to serve *all* our customers with the right range of products ”

We rank SKUs using a composite measure

A list of all of the SKU's in your subcategory, ranked on

- 1) penetration
- 2) Product loyalty
- 3) Tesco loyal spend

Rankings also on:
Lifestyle
Pet Segments

Total number of TPNs in Dry Cat Food = 82
Number of TPNs qualified = 79
26 weeks, 2003/4 to 2003/9 (26 May 2003 to 23 Nov 2003)

Composite Ranking

Qualifying criteria = removed products with sales in less than 10 weeks and distribution of less than 30 stores

Feedback Export Print Settings Deselect

Dry Cat Food

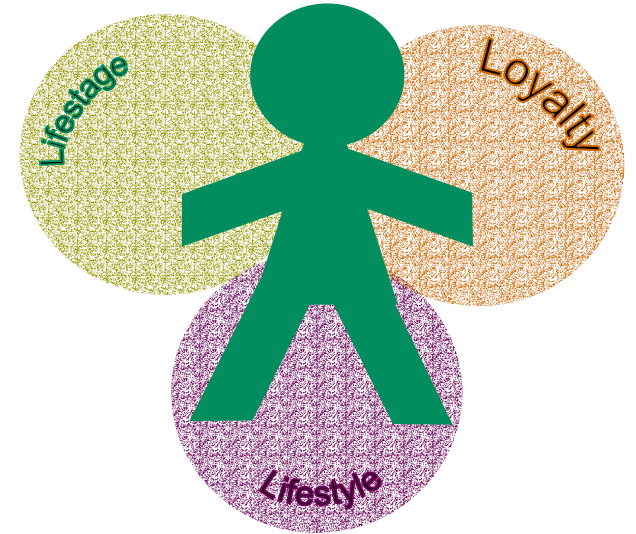
Rank	Product	TPN	Brand			Yield			Rank																
			Sales per week	Penetration %	Loyalty Value %	Penetration	Loyalty Value	Premium Customers	Number of Stores	Mx. of weeks in store	Finer Foods	Health	Convenience	Mainstream	Traditional	Price Sensitive	Dog Segment 1	Cat Segment 1	Cat Segment 2	Dog Segment 2	Cat Segment 3	Dog Segment 3	Dog Segment 4	Dog Hit Wonders	Unbranded
1	Tams Catfood Adult Chicken 1kg	58568937	4.92%	32.0%	51.8%	24	21	14	559	26	1	1	1	1	2	8	8	1	1	12	12	4	19	2	1
2	Tams Catfood Senior Chicken 1kg	58568936	1.27%	46.7%	53.4%	50	4	7	345	26	8	11	28	38	33	54	42	22	12	23	42	27	53	13	16
3	Tams Catfood Adult Ocean Fish 1kg	58568943	3.99%	29.5%	52.6%	28	18	10	498	26	2	3	2	3	5	16	18	4	2	15	15	6	31	3	2
4	Tams Catfood Hairball Chicken 1kg	58568972	1.45%	34.6%	55.6%	47	17	1	409	26	7	14	20	31	31	45	39	16	11	40	44	23	49	15	8
5	Tams Catfood Senior Chicken 300g	5568934	2.69%	28.6%	55.1%	38	26	2	509	26	20	17	36	43	28	48	55	42	8	47	47	38	51	43	15
6	PT Premium Cat Crunches Slim/Tit Tuna/Skip 950g	53448951	7.97%	25.1%	50.6%	9	32	27	526	26	29	20	10	9	15	2	8	10	39	2	1	19	4	18	31
7	Friskies Vital Balance Adult Ocean Fish 450g	54369227	3.43%	26.7%	51.4%	30	30	16	593	26	13	13	13	17	13	28	10	12	9	30	21	46	45	30	17
8	Tams Cat Clin 3kg + Free Easy Pour Jug	56575236	1.07%	51.0%	50.6%	48	3	26	326	26	3	3	1	7	11	20	14	5	5	10	20	2	16	1	9
9	Whiskas Complete Chicken & Tuna Muggets 1kg	53412532	4.65%	24.1%	51.2%	25	36	19	500	26	16	24	12	16	25	25	16	8	29	15	17	24	17	20	27
10	Go Cat Tuna Herring & Veg 950g	54269204	6.26%	24.9%	50.4%	19	35	25	517	26	12	7	5	5	6	10	9	0	20	7	5	18	10	12	11
11	Tams Catfood Kitten Chicken 1kg	58568930	0.64%	47.7%	52.1%	64	5	13	316	26	34	46	52	49	58	85	97	43	44	59	67	37	64	43	19
12	Friskies Vital Balance Adult Chicken 450g	54269210	3.17%	20.5%	52.5%	33	38	11	597	26	18	19	16	28	24	32	10	14	13	36	30	39	44	36	20
13	Tams Catfood Adult Lamb 1kg	58568966	2.82%	26.4%	51.2%	35	31	18	444	26	18	6	0	12	15	22	31	11	6	22	34	16	22	7	3
14	Go Cat Rabbit/Turkey & Veg 950g 149	52729152	7.24%	26.8%	49.0%	15	27	43	644	26	5	4	3	2	1	5	2	2	17	4	1	16	9	0	10
14	PT Premium Cat Crunches Osm Fibre Ckn Veg 3kg	53448974	4.39%	37.0%	48.7%	26	14	45	488	26	17	16	0	9	10	11	1	0	52	1	2	3	1	0	12
16	Go Cat Salmon Trout & Tuna 950g 149	52959119	6.6%	23.9%	50.0%	19	27	33	616	26	11	9	7	6	4	11	4	7	25	6	4	11	10	19	22
17	Aularky Complete Cat Food Clin Reinhab & Veg 1kg	57209567	0.30%	34.5%	55.0%	69	18	3	237	26	57	63	63	70	59	71	66	70	65	58	59	61	65	60	60
17	Friskies Vital Balance Light Chicken 450g	54369236	0.89%	25.6%	53.3%	58	24	0	328	26	49	42	51	64	51	60	56	63	46	62	60	68	69	62	16
18	Tams Catfood Kitten Chicken 300g 60% Extra	58568966	1.8%	24.7%	54.4%	52	34	5	483	26	60	61	61	63	61	67	61	53	51	66	63	60	58	66	39
20	Friskies Vital Balance Adult Chicken 1kg	55190039	0.7%	36.1%	51.5%	62	15	15	229	26	31	41	45	54	49	43	24	45	54	42	37	25	49	49	46

Customer data allows us to understand consumers and markets based on what people do, rather than what they say

3. Customer communications

The other side of customer data

- As well as telling us about the way shoppers behave across whole categories or markets...
- customer data also tells us lots about them as individuals. eg



Mr and Mrs Green

- lifestyle: **Traditional**
- lifestage: **Children left home**
- loyalty to Tesco: **Lapsing**
- Purchase Behaviour: **Trying to give up smoking**

Mr Brown

- lifestyle: **Convenience**
- lifestage: **Young Adult**
- loyalty to Tesco: **Premium Loyal**
- Purchase Behaviour: **Just bought puppy**

How we do it - In the beginning



- Established a clear relationship with the consumer through the Clubcard Statement – the reward mailing mechanism

(worth over £10 cash to top 50% of consumers, mean value £6 cash)

- Using 26 weeks of customer purchase history to target both Tesco and supplier product coupons
- Delivering the ideal targeting: “golden” households that are most valuable to the brand
- ...at the same time building loyalty to the retailer



How we do it

- Adding to the quarterly reward Statement mailing, dunnhumby and Tesco have built up a family of industry-leading mechanics that offer:
 - laser focussed targeting through loyalty card transactional data
 - precise SKU level trade driving through validated coupons
 - unparalleled measurement, evaluation and planning capability through the loyalty card data



Regular Statement mailings



Coupons delivered directly at the till



Targeted, segmented direct mail

Source: Tesco Clubcard Data

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The result

Pampers loyalty programme

Objective: encourage shoppers who are loyal to Tesco yet less loyal to the Baby category to spend more on Pampers

Delivery: integrated 12 month plan across direct mail, statement and coupons at till to a core group of c.200,000

Targeting: mid / low % of nappy need spent in Tesco, less than 70% of that need Pampers



Loyalty card data allows a business to do direct marketing with a near-perfect view of effectiveness and return on investment

Retail is a simple business.

We sell what people want ...Think about our customers. Each one is different. No one shopping basket is full of the same things. How do we attract different people, with different tastes and different budgets?

– Terry Leahy

The right data is an important piece of the jigsaw.

thank you