Newsletter optimization to harness hidden potential in data

Philipp Seifert | 25.02.16
Agenda

- Walbusch – The Company
- Newsletter Optimization
  - Use Case, IT Architecture, Test Design
  - Next Best Offer – The Analytics Approach
  - Campaign Automation
- Results
- Questions & Answers
Walbusch
The Company
The fashion company **Walbusch**, founded in 1934 by Walter Busch in Solingen, is still owned by the Busch family.

Until today the management leaded by Christian Busch the grandson of the founder is guiding the company, which has its origin in the classic catalog selling, through the transition phase to a multi-channel retailer.

- In the year 2000 Walbusch startet to run an online-shop, which currently generates around one-third of the total revenue.

- In 2009, the first retail shop opened in Recklinghausen. Meanwhile there are more than 40 shops nationwide.

In 2015 nearly 1,000 employees generated a total revenue of € 295 million.
Newsletter Optimization

Use Case, IT Architecture, Test Design
Individual Product Recommendations

Easy to handle for mom-and-pop stores
A huge challenge in high volume distance selling
Newsletter Optimization
The road to a better email marketing performance

Design & Data Evaluation
- Design workshops
- Data evaluation
- Webtracking extension

Target Group Clustering Next Best Offer
- Data Collection
- Cluster Analysis and Collaborative Filtering using KNIME

Campaign Execution
- Setup Campaign Management solution DynaCampaign
- Automated execution of newsletter campaign

Cost Effectiveness Study
- Performance Measurement
- Prepare Management decision on using

Preliminary work
Data Analytics
Marketing Automation
Results
Use Case

Oracle DWH
- Customer
- Transaction data

Product data feed (ERP)
- Product data

Data Enhancement
- Customer
- Article
- Price
- Customer attributes
- Product attributes

Data Analytics
- Customer Segmentation
- Collaborative Filtering
- Business Rules

- Higher turnover
- Higher conversion rate
- Increased number of sold articles
1. CRM Mart (Data management)

- Consistent, consolidated 360° customer views
  - Newsletter reduction
  - Newsletter transmission

2. Campaign management

- Planning of campaigns
- Automatisation

Customer Analytics
- Data Mining: Customer Segmentation
- Data Mining: Recommendation

Hosted CRM Solution

Data sources
- Webtracking Econda
- DWH
- Optivo

Customer Touchpoints
- Lettershop
- Optivo
- Walbusch.de
- Customer Service
- Facebook
- Mobile

Closed Loop

Transfer via CSV Files
Individual emails with customer based recommendations

Product data feed

Multiple delivery

DWH

Next Best Offer

Multiple delivery

Double calculation

Target group(s)

Mail Delivery
Test Design
Test group selection process

» Database Walbusch

» Preconditions:
  - male
  - not blocked for newsletter
  - at least one purchase during the last 36 months

» Random partitioning into two groups
Newsletter Optimization

Next Best Offer – The Analytics Approach
Next Best Offer – A recommendation system in 3 steps

Customer are clustered into 5 target groups based on customer behaviour during the last 2 years:
- Business
- Shoes-Accessories-Underwear-Stockings
- Premium-Trousers-Suits
- Niche sizes /Outerwear/Shirts
- Casual

Based on transaction data recommendations are derived using collaborative filtering algorithms – taking into consideration that product recommendations are in line with the customer segments calculated in step 1.

Applying business rules ensures that...
- a customer didn’t get the product offered as a NBO during the last two weeks
- the product is on stock
Customer segmentation – Assign appropriate key-visuals to every target group

Step 1
Data driven identification of target groups according to style preferences using k-means cluster analysis
Step 2
Deriving appropriate product recommendations using collaborative filtering algorithms.

Collaborative filtering uses the known preferences of a group of users to make recommendations or predictions of the unknown preferences for other users.

**Item-Item-Similarity Matrix**

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**Assignment of similar products**

Calculate Similarities between every pair of products

Infer the individual customers preferences from his past purchases and knowledge about similarity of products.

**Deployment of recommendations**

Rank product recommendations on customer level according to Similarity.
Step 3
Application of several business rules to ensure most appropriate product recommendations that are also best suited to support Walbusch strategic goals.

**Business Rules**

- Only products from the Google Data Feed
- Only products currently on stock
- Availability of shirts and shoes is calculated regarding their size
- New products receive higher priority
- Low value products (less than 15 €) will be excluded
- Discounted products are excluded
- Products which were already clicked on in a newsletter won`t be presented again
Newsletter Optimization

Campaign Automation
Campaigns can start onetime or automatically.
Results
Key Results

Conversion rate

Increase + 0.5% Points

Walbusch | DCG

Number of active customers

Increase 3.9%

Walbusch

DCG

Net Sales

Increase of 6%

Walbusch | DCG

Net Turnover

+ 52,000 €
Quality of recommendations is most important

Net turnover of recommended products

Walbusch + 71.2%

DCG

» Every customer is receiving 36 products in four newsletter distributions
» Individualization increased the purchasing frequency of the offered products by 71.2%
Our use case clearly shows: Individualization outperforms static approaches in online communication

..but also works great in offline business models...
THANK YOU!