



World's Largest Mail Order Group Accelerates Marketing Analytics with KXEN

The Internet has brought massive change to the home shopping industry and with it much increased competition for the once dominant catalogue companies. And while the market overall continues to grow strongly, catalogue agency companies in particular have seen their sales decline over the last ten years.

AT A GLANCE...

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Andy Bryan, Otto UK Head of Customer Management.

But now the established catalogue retailers are fighting back. And one of them Otto UK - part of the Otto Group, the world's largest mail order company - has deployed next generation analytics from KXEN to optimise its marketing and help turn the odds back in its favour.

Already hundreds of companies around the world - among them Barclays, Powergen Vodafone and Virgin - have deployed KXEN's data mining automation and seen dramatic improvements in their marketing as a result, reporting up to 300% increases in campaign response rates.

Just a year into the project and the switch to KXEN is more than paying off for Otto UK too. *"It means we're promoting the right things to the right people at the right time"*, says the company's Head of Customer Management, Andy Bryan. *"KXEN has allowed us to target our communications better and get a more positive return on investment. In short we're making better decisions."*

£460+ Million Turnover

With around one and a half million active customers, Otto UK is a force to be reckoned with in the home shopping market in Britain. As well as Grattan and Freemans it includes the brands Kaleidoscope, Look Again, Oli and Montage. Between them they accounted for more than £460 million in turnover in the last financial year thanks to sector appeal, a broad product range and flexible credit terms.

It was a need to be able to respond more quickly to change that led Otto UK to implement KXEN's next generation analytics as part of its marketing and customer insight activities. *"The existing tools and process that were in place were not able to keep pace with the developments being made in our approach to planning"*, explains Andy Bryan.

Up to that point overall campaign effectiveness had been finely honed through many years of testing and control. Moving to modelling allowed the company for the first time to supplement its campaign level key performance indicators (KPIs) with customer level KPIs. This gave a more accurate prediction of returns from each campaign at a customer level, so allowing targeting to be optimised and the volume of mailings to be increased or decreased accordingly.

Initially the analytics team used SAS software to build their analytical models but found it relatively time consuming and labour intensive. *"It was taking around three days to build a model. We were writing code from first principles, running iterations of the model and checking the output. It was a very manual process"*, says Andy Bryan.

A wish to speed up that process led Bryan and his colleagues to start looking at other solutions on the market. A dialogue with specialist customer insight consultancy Marketing Data basics led them to KXEN's next generation technology and this, together with another competing solution, were evaluated against the incumbent SAS in a champion challenge. The results made interesting reading.

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otto group

"When we'd analysed all three packages to be honest all three were as good as each other at building models because the underlying techniques are all similar. They all get you to similar answers", says Bryan. Just how similar is underscored by the less than two percent variance in the overall measure of model efficiency.

But the real differences became apparent when the other important factors were considered. How easy was the solution to use? What was the total cost of ownership? How well did it work with the Teradata platform? How quickly did it build models? "We looked at a number of different areas, a whole list of criteria", adds Bryan. "KXEN didn't just greatly reduce our modelling times it scored best in all the other categories too. It was the clear winner."

Strategic Analysis

Following a period of further proving where SAS and KXEN ran in parallel and the results compared, Otto was convinced enough to make the switch to KXEN permanent.

The first campaign to see KXEN used in production was for a Freemans Christmas sale leaflet where it informed optimum mailing volume and identified the customers most likely to respond. Strong post campaign results more than validated the choice. But it soon became clear to Bryan and his colleagues that the benefits of KXEN went further still.

"What used to take three days now takes less than an hour. We don't need as much resource and are currently supporting all our UK modelling activities with just one modeller", he says. "We also now have the opportunity to build more models if we need to, we can do more exploratory analysis and we can develop models in a more iterative way than before."

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About KXEN

KXEN, The Data Mining Automation Company™ delivers next-generation Customer Lifecycle Analytics to enterprises that depend on analytics as a competitive advantage. KXEN's Data Mining Automation Solution drives significant improvements in

customer acquisition, retention, cross-sell and risk applications. Our solution integrates predictive analytics into strategic business processes, allowing our customers to drive greater value into their business.

The use of KXEN has also allowed Otto UK to apply a consistent best practice approach to its modelling activities, something that itself has brought further gains. "From the outset, a best practice modelling approach was applied to the KXEN process, including full documentation. This has meant that training all users has been straightforward and integration with other systems has been easy due to the limited interfaces with databases", says Bryan.

Bryan also acknowledges the way KXEN has helped Otto move beyond simple campaign targeting optimisation and into more strategic work. "Now, as we don't have to spend three days locked away in a room building a model, the key thing for us is thinking about the new ways in which we can use that model."

"Where in the past we'd just have used it to target campaigns and mailings now we can do more return on investment analysis, looking at how far down the file we can mail, working closely with the brand teams to see how campaigns can be improved, how we can use models to forecast campaigns and make better decisions about how they are run", he says.

"It's no longer just about targeting. It's about making more strategic decisions, where we can best spend our money, where it costs more to retain a customer than recruit a new one. We're really starting to optimise things", says Bryan.

"So far we've built something like 50 models across our different brands and we've seen evenly good results from them all. There's no question at all that the move to KXEN is benefitting us."

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