



macys.com: Focusing on each customer as the brand goes national

Overview

The need

macys.com sought to create a more personalized shopping experience.

The solution

macys.com works with IBM to establish a foundation for a more dynamic, data-driven and integrated website.

What makes it smarter

Macy's is laying the groundwork for customized content arbitration as well as more granular pricing and market strategies that increase margin.

The result

"We see the strength of IBM's data management solutions as a critical part of our success."

—Darren Stoll, Group Vice President of Marketing Operations and Analytics, macys.com

In the world of retail, Macy's is one of very few brands that can credibly be called an icon. Its flagship store in Herald Square in New York City, together with its long-running Macy's Thanksgiving Day Parade, are perhaps its most prominent commercial and cultural legacies. In recent years, the company behind the Macy's brand, Macy's, Inc., has undertaken an extensive—and by all accounts successful—effort to transform Macy's from a regional to a national brand. Though enormous in scope, the physical, logistical and organizational dimensions of the change—in which hundreds of regionally branded stores across the United States took on the Macy's name—represent only the first stage of the company's plan to redefine itself.

Although Macy's national branding strategy might have given it a bigger footprint, CEO Terry Lundgren is betting that the future lies in offering a more localized, personalized—and ultimately smarter—retail customer experience. Lundgren is the charismatic force behind My Macy's, a sweeping initiative designed to embed a customer-centric orientation into every aspect of the company's operations. More than just a catchy name, My Macy's reflects the way Macy's wants its customers to view their relationship with the company. It is a relationship marked by a level of personalization that manifests—and grows stronger—each time customers interact with the brand, whether online at macys.com, at a local store or traveling in another city. The aim is consistency and the key is data.





Building a data foundation

macys.com implicitly understood that to successfully implement the kind of customer-centricity envisioned, a comprehensive customer data strategy was a prerequisite—and developing one would not be easy. Its first order of business was to consolidate the various data repositories that had accumulated from predecessor companies. Realizing the foundational importance of this work to its long-term customer data strategy, macys.com turned to IBM—and its 20-plus years of experience working with Macy's—to provide the guidance and tools it needed.

Now some two years down the road and with the first stage of its transformation virtually complete, macys.com is working toward putting in place the architectural elements it needs for its most fundamental capability: a “360-degree view” of its customers to support a strategy of multichannel integration. This, notes Darren Stoll, Group Vice President of Marketing Operations and Analytics at macys.com, will mark an important milestone in Macy's journey. “Aggregating our customer data and achieving the 360-degree view of the customer will put macys.com at a starting point for customer-centric innovation,” explains Stoll. “Once we achieve that view, we'll be in a position to operationalize it in a way that personalizes and enriches the customer experience.”

Smarter solutions for retail: Macy's gets personal for a compelling experience



Instrumented

Capturing customer information at a variety of brand touch points enables Macy's to interact with its customers on a more personal level.



Interconnected

Macy's SOA-based integration framework is enabling macys.com to move toward a comprehensive, 360-degree view of the customer.



Intelligent

The ability to use real-time site information at the customer level enables the company to develop more targeted—and ultimately more profitable—pricing and promotional programs.



Business benefits

- Expected increase in sales and revenue per customer due to closer engagement, stronger retention and targeted promotions
 - Strengthening of brand via a more consistent and integrated cross-channel customer experience
 - Increase in macys.com volume facilitated by distribution center optimization
 - Improved decision making via the seamless integration of consistent, high-quality data from across the enterprise.
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Putting customer data to work

In the context of Macy's' strategy, putting customer data to use requires the means and expertise to aggregate it, analyze and extract insights from it, and then use it to shape the customer experience at macys.com. IBM data management technology plays a crucial role in every stage. For example, macys.com is employing the IBM InfoSphere™ Information Server platform featuring IBM InfoSphere DataStage® to integrate its multiple sources of customer data across the enterprise, while IBM InfoSphere QualityStage™ ensures that the data is always accurate, consistent and complete, and thus can be trusted to drive the company's core processes. IBM InfoSphere Warehouse Enterprise Edition provides macys.com with a powerful data warehouse framework for real-time analytics.

Although a data management foundation is essential, it is just as important to know how to weave customer data and insights into all of the processes that surround—and ultimately determine—the customer experience. For example, it is seen in the way a customer's preferences (both implicit and explicit) are combined with recent purchase data to create dynamically customized recommendations (such as a complementary clothing accessory or color) or personalized promotions. It is also seen in the seamless consistency of the customer experience across channels, whether it's in a Macy's store or on macys.com. On a more nuanced level, it is seen in the use of social media—from blogs to gift registries—to establish a deeper level of engagement between the customer and the Macy's brand. To implement these changes successfully, macys.com is counting on the breadth of IBM's best practices and cross-channel retail experience.



Solution components

Software

- IBM WebSphere® Application Server ND V6.1.x
- IBM DataPower® XI50
- IBM ITCAM for WebSphere
- IBM DB2® for z/OS®
- IBM InfoSphere™ DataStage® for System z®
- IBM InfoSphere QualityStage™ for z/OS
- IBM InfoSphere Warehouse Enterprise Edition
- IBM Rational® Software Architect
- IBM Rational ClearQuest®
- IBM Rational AppScan®
- IBM Rational Policy Tester™

Servers

- IBM System z
- IBM System p®
- IBM System x®

Services

- IBM Global Business Services®
 - IBM Global Technology Services
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► The inside story: Getting there

Changing the mindset

As the Macy's transformation program unfolds, it will ultimately affect each of the company's 161,000 employees, from the CEO to the sales associate on the floor. To soften resistance and encourage buy-in, Macy's turned strong executive sponsorship to its advantage by broadly publicizing the company's commitment to becoming more customer-centric.

Changing the metrics

Macy's realized that one of the key implications of its customer-centric strategy was the need to redefine the way it measures success, from more traditional by-the-numbers metrics such as event sales and item sell-through rates, to longer-term measurements of customer engagement, retention and ultimately wallet share. "For customer-centric retail strategies to work over time, there needs to be a fundamental change in how we think about things, what we consider important and how we evaluate our performance along with measures," Stoll explains. "It's a change that will affect every part of our business."

Aligning IT with the business

Given the central importance of customer data management to its new strategy, macys.com is acutely aware of the need to align its business strategy with its long-term technology road map. While establishing a solid data management foundation is the immediate imperative, says Stoll, "We need to be sure we at the company can translate our evolving business needs into the right decisions on technology and architecture—three years, five years...10 years down the road. If we don't address that now, it will create road-blocks for us in the long run by reducing our flexibility. That's where a company like IBM can be very helpful in pointing us forward as an organization."



The Macy's customer-centric strategy is about growing its core business by strengthening customer loyalty and ultimately increasing wallet share. The company's unflagging commitment to the transformation program—even in the face of major retail downturn—is a measure of its confidence in its strategic direction. A bright spot is the IBM-hosted macys.com site, whose revenues have grown substantially since 2005 on the strength of faster navigation and broader selection. In fiscal 2009, online sales at Macy's, Inc. grew by 19.6 percent. macys.com sees the ability to create a more dynamic customer experience as a key enabler in its goal to continue to grow revenue significantly in the years to come.

Smarter retail, bigger profits

As Macy's continues to refine and expand its multichannel capabilities, it expects the macys.com channel to play an increasingly prominent role in driving growth. To make this expansion possible, Macy's worked with IBM to optimize its network of fulfillment centers and supporting processes to enable broader and more efficient fulfillment of online sales while lowering costs.

To Darren Stoll, the clear benefits already resulting from recent strategic initiatives are a sign that the company is on the right track and well positioned for strong growth. "macys.com is committed to delivering the kind of dynamic and personalized experience that engages customers and strengthens the Macy's brand," says Stoll. "We see the strength of IBM's data management solutions—and its ability to put insights into action—as a critical part of our success."

For more information

To learn more about how IBM can help you transform your business, contact your IBM sales representative or IBM Business Partner.

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