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shutterfly®

IBM

Turning Your Ecommerce System into a Marketing Dynamo

Increasing Customer Value with
Timely and Relevant Offers

SmarterCommerce
Global Summit 2012 Orlando

Sept 5-7, 2012 | **Walt Disney World Swan and Dolphin Resort**

Redefining commerce in the age of the customer.

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Agenda

″ Executive Summary

″ Who is Shutterfly?

″ Ecommerce and Customer Relationship Marketing

- Customer Engagement
- Marketing Opportunities
- Moving from Transactional Marketing to Relationship Marketing
- Business Impacts

″ Adding Campaign Management to Ecommerce

- Solution components
- Merging online behavior with Ecommerce activity
- Data organization
- Cross-brand integration – the enterprise customer model
- Coordinating promotions
- Marketing performance measurement and reporting

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"We're about ten years late on getting CRM. It's about time we got it."

- Jeff Housenbold, CEO Shutterfly, Q4 2011

" Staffing

" Thorough requirements gathering

" Lengthy product evaluation

"So… we got it in May, 2012."

About Shutterfly…

〃 Our Vision

– Make the world a better place by helping people share life's joy.

〃 Our Mission

– Build an unrivaled service that enables deeper, more personal relationships between our customers and those who matter most in their lives.

〃 What We Do

– We are the leading Internet-based social expression and personal publishing service

– We leverage our innovative platform and manufacturing process to enable people to easily express themselves in extraordinary ways by turning their everyday pictures into innovative and stylish keepsakes.

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Shutterfly Products and Services

″ Complimentary storage of user photos
(billions of photos for millions of users)

″ Free personalized photo & video sharing web sites

″ Photo keepsakes (thousands of sku's)

photo books, prints, calendars,

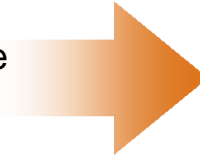cards and stationery,
innovative photo gifts

″ Multiple Brands/Sites
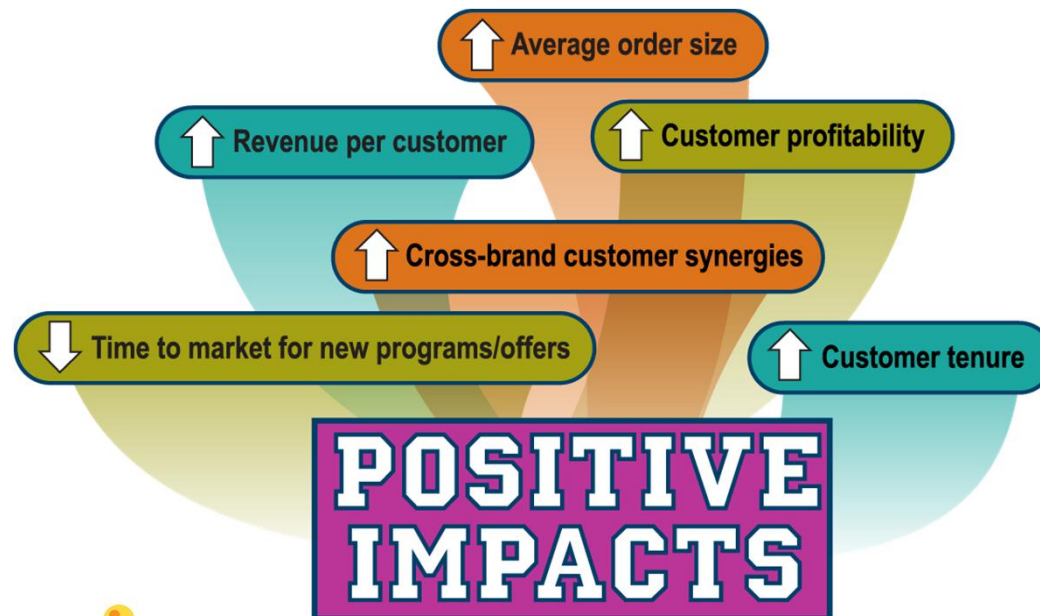
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Customer Marketing Then and Now

THEN

˝ Single, static customer segmentation

˝ Limited number of concurrently active offers/messages

˝ Over-reliance on discounting

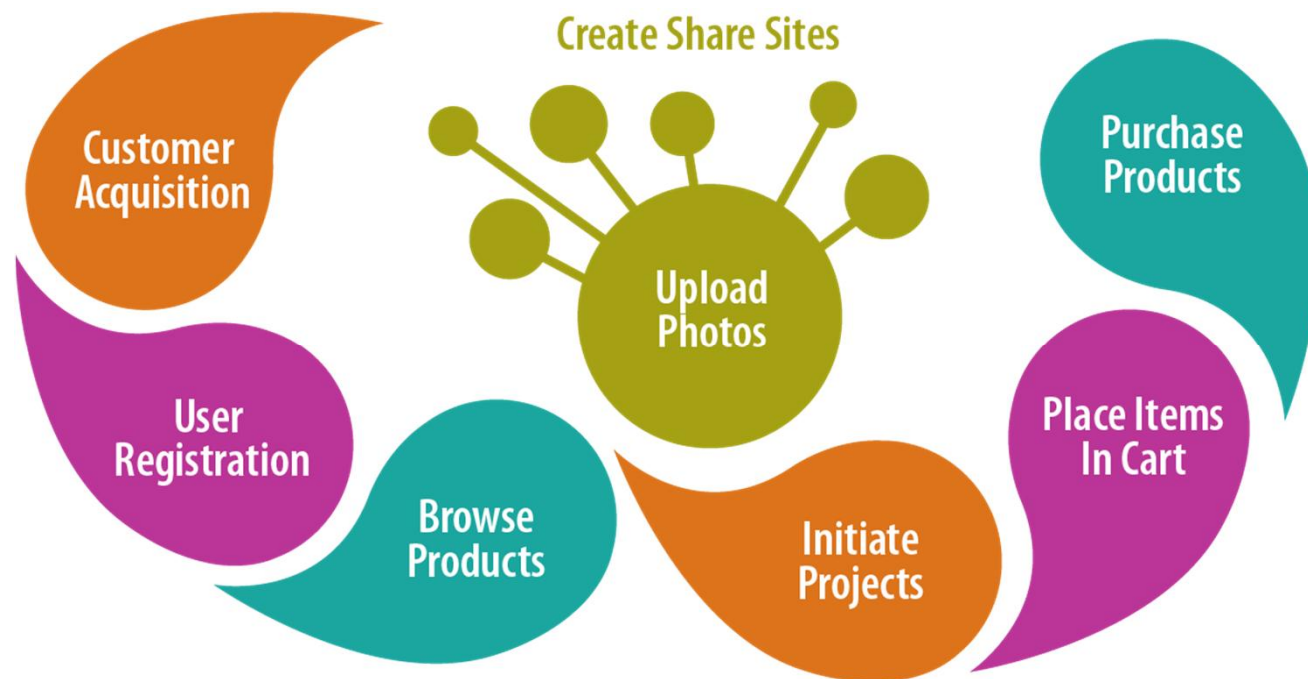˝ Largely single channel

˝ Complex Database Scripts required

NOW

˝ Dynamic segmentation supporting next best offer for each customer

˝ Unconstrained set of offers/inspirational content

˝ Intelligent, highly targeted multi-channel communications

˝ Marketer-friendly point & click interface

↑ Average order size

↑ Revenue per customer

↑ Customer profitability

↑ Cross-brand customer synergies

↓ Time to market for new programs/offers

↑ Customer tenure

POSITIVE IMPACTS

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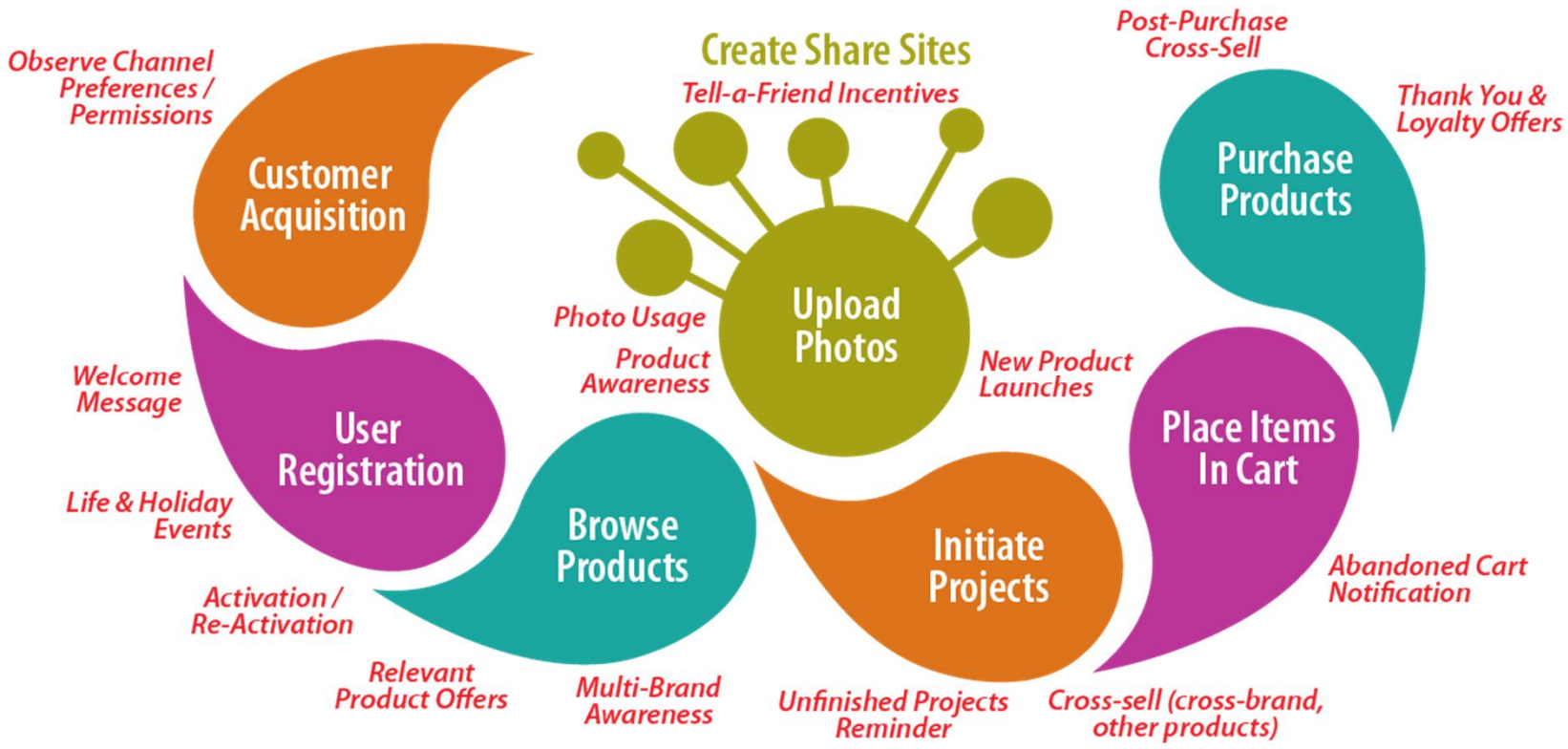**Global Summit 2012** Orlando

Shutterfly Customer Engagement

- Small increases in average order frequency/size and average customer tenure translate into large increases in revenue and profit $
- The CRM program at Shutterfly performs the critical role of dialoguing with customers outside of the transaction events in order to move the needle on these metrics.

Create Share Sites

Customer Acquisition

Upload Photos

Purchase Products

User Registration

Browse Products

Initiate Projects

Place Items In Cart

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Marketing Opportunities Abound Throughout the Customer Engagement Cycle

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To Be Most Effective, We Need to Package Communications into Personalized Dialogs

What We Needed was a Solution to Exploit These Opportunities

″ 360 Degree View of each Customer
  – Ecommerce
  – Web site search/browse activity
  – All brands

″ Closed Loop Capability

″ Channel Integration

″ Test and Learn Process
  – Determine the impact of moving away from across the board discounts on various customer segments

″ Capability to Set-up and Monitor Dialogues

″ Personalization
  – Use customer photo's from recent orders
  – Vary combination of offers extended in a given communication
  – Vary discount amount
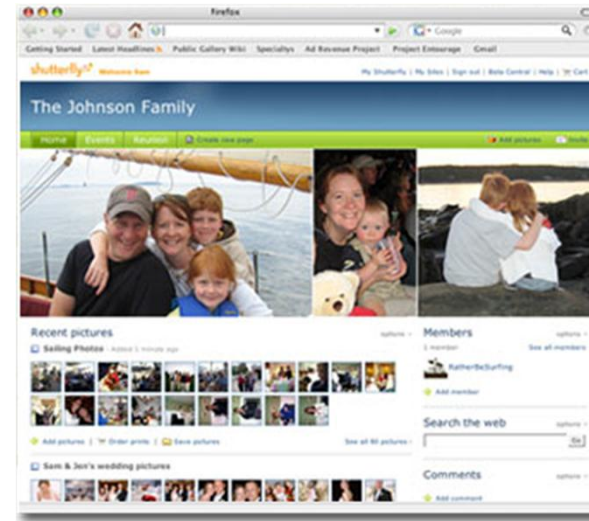
Getting to Customer-Centric, Relationship Marketing

CAPABILITY	BEFORE UNICA	AFTER UNICA
	Monologue-Transactional	Interactive-Relationship
	Independently managed programs on Email. Direct Mail and Web Site channels	Integrated programs – Each channel fully informed of activity on other channels
	Limited to one offer per communication	Multiple personalized offers per communication
	Limited number of pre-defined ecommerce events	Any profile of ecommerce and site browsing behavior
	Each brand's products marketed independently	Brand cross-sell
	No complete record of past communications	Campaign history and response attribution enable dialogues
	Custom queries needed to answer each measurement question	Automated marketing performance measurement of each offer for all customer segments

Business Advantages of Enhanced CRM

″ Greater average order size

- Cross-brand awareness
- Continuous improvement in messaging relevance through automated testing

″ Increased revenue per customer

- Timely communication of next best offer on the preferred channel

″ Longer average customer tenure

- Ongoing engagement
- Re-activation of lapsed customers

″ Improved customer profitability

- Fewer across the board discounts

″ Reduced time to market for new programs/offers

- Easy to set-up offers, segmentation and triggered dialogs
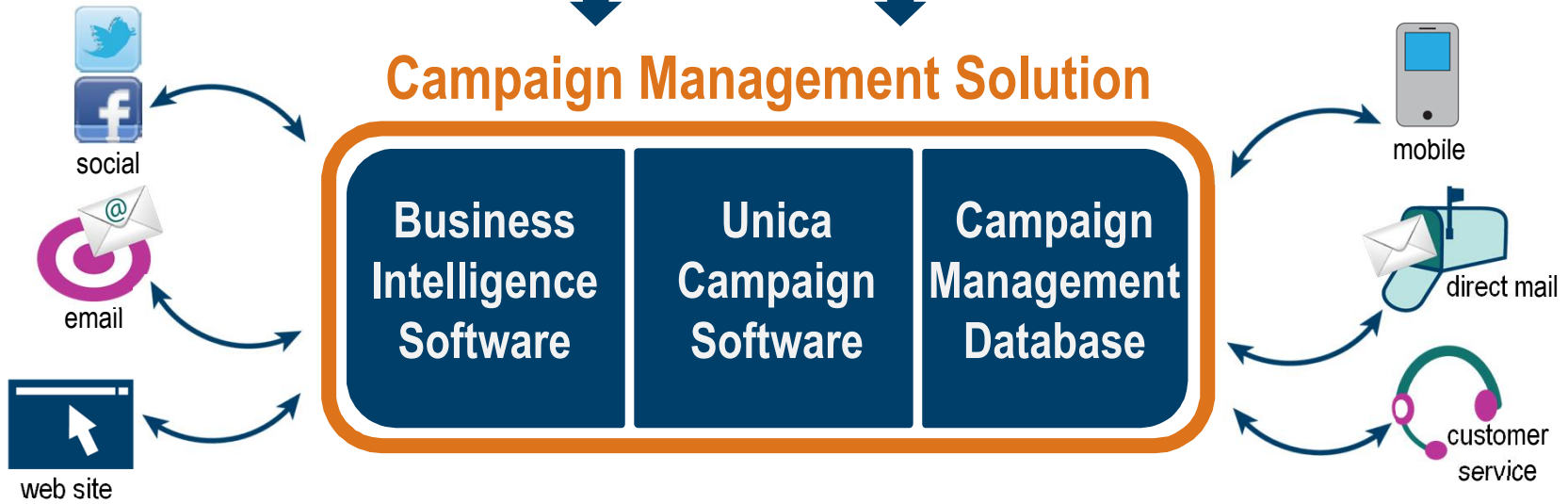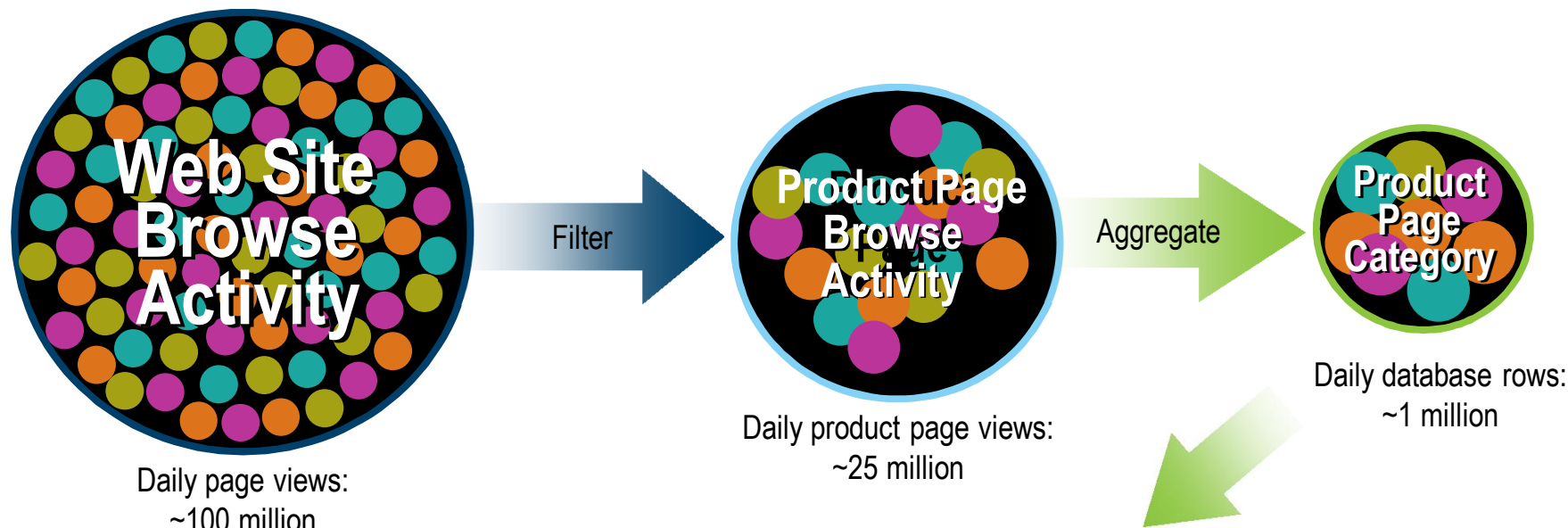- Rapid assimilation of acquired brands into CRM program

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Campaign Management Solution Overview

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WEDDING *PAPER divas treat. CARDS GET PERSONAL tinyprints big impressions

Ecommerce

Web Analytics

Campaign Management Solution

social

email

web site

| Business Intelligence Software | Unica Campaign Software | Campaign Management Database |

mobile

direct mail

customer service

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Reducing Web Site Browsing Data to a Manageable Volume

Web Site Browse Activity

Daily page views:
~100 million

Filter →

Product Page Browse Activity

Daily product page views:
~25 million

Aggregate →

Product Page Category

Daily database rows:
~1 million

Cascading Time Aggregation

Sept. 7, 2012

Week of 9/3-9/9

˝ 30 most recent days at daily granularity

˝ 30-90 days old at weekly granularity

˝ Months 4 to 13 at monthly granularity

˝ Two Q4's at weekly granularity

September 2012

Week of 9/3-9/9

Database rows total: ~250 million

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Customer-Centric Marketing Database

The dimensional design centered around customer actions facilitates targeting the right next offer to each customer based on specific combinations of ecommerce, browsing, and marketing response behavior.

Cross-Brand Integration – Enterprise Customer Model

Enterprise Customer Model:

"Enables brand specific marketing triggered by activity on another site

"Preserves customer preferences, contact info and all activity associated with a specific site

"Facilitates incorporation of new brands

"Supports enterprise-wide customer communication without duplication

"Enables enterprise wide and brand specific performance measurement

Coordinating Promotions Across Channels

Ecommerce
- **Promo Code Origination**
- **Promotion Presentation (within Ecommerce)**
- **Promo Code Redemption**

Promo Codes →

Redemptions ←   Offers ←

Campaign Management
- **Promo Code Assignment**
- **Promotion Presentation (outside Ecommerce)**
- **Promo Code Tracking**

- Promotional offers redeemable in the Ecommerce system are used across the business
  - Customer Acquisition
  - Sales (Ecommerce)
  - CRM
- CRM must issue unique codes for each customer and offer
- System includes automated, lights-out interface to include Ecommerce generated promo codes as part of each offer extended by campaign management on any channel
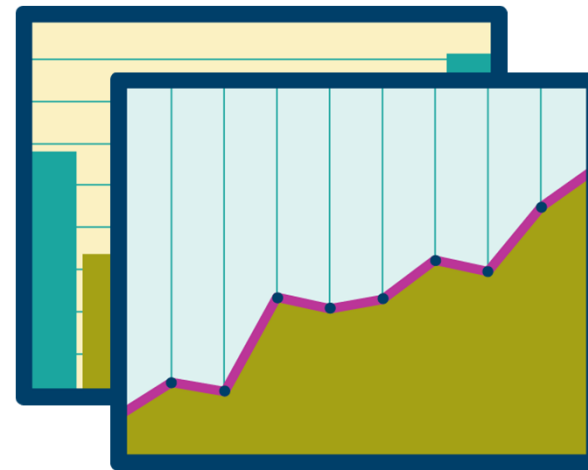
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Automated Measurement and Reporting

″ Automated measurement of incremental performance of offers

– By campaigns/programs

– By channels

– By customer segments

– By product

– Over time

″ Key Metrics

– Reach – open and click rates, opt-outs

– Conversion – intended ecommerce action (e.g., orders, projects)

– Revenue – order size, revenue per period (net of discounts)

– Customers – customer segment growth rate

Summary

- Implementing a campaign management solution was a key enabler of evolving to intelligent relationship marketing
- Effective relationship marketing required using the combination of online behavior and Ecommerce activity
- A separate database/marketing data mart specifically designed to support the campaign management function was a key success factor
- Business benefits of campaign management included:
  - Reduced time to market for new programs and promotions
  - Continuous improvement in messaging relevance (and associated revenue and profitability) through automated testing and measurement
  - Ease of integrating additional brands

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- Select the Survey icon
- Complete the surveys for the sessions you attended
- Submit your feedback

Thank you for joining us!

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