

Using Data to Revolutionize Marketing, Merchandising, and Operations: A Case Study

*Tim Blair, Executive Vice President & General Manager, the Parable Group
Jim Wheaton, Co-Founder and Principal, Wheaton Group*

This is an overview of a speech by the same name that was presented at The 2004 DMA Annual Conference & Exhibition in New Orleans. The speech describes work performed at The Parable Group, one of Wheaton Group's first clients.

An overview of The Parable Group work was also provided in "Database Makeovers," the cover story in the July 1, 2004 issue of *Target Marketing*.

Background

The Parable Group produces catalogs, flyers, web sites and promotional kits for 242 locally owned and independent Christian bookstores throughout the United States and Canada. These bookstores have total sales of approximately \$250 million a year, which makes the Parable Group ("Parable") one of the largest booksellers in the world.

In 1996, Parable's client stores began transmitting customer transaction data to its home office via multiple Point of Sale ("POS") systems. Because the client stores are independently owned and operated, the quality of this data varies significantly. Parable has collaborated with the POS vendors to ensure that the data is as accurate as possible. Also, it has cleaned, updated and housed the data within a centralized data repository, and transformed it into useable information.

Using the centralized data repository as a foundation, Parable has developed the tools that are required by independent bookstores to compete against the country's largest retailers. These formidable competitors include not only several large and aggressive chains within the Christian Booksellers Association ("CBA") vertical market, but also general retailers such as Barnes & Noble, Borders and Wal-Mart.

The tools that Parable provides the independent bookstores reside upon the classic "three legged stool" of retail: marketing, merchandising and operations. Within each of these areas, Parable has been able to apply data-driven technologies to create money-saving efficiencies for the independent retailer. The following summarizes the data-driven initiatives corresponding to each of the "three legs":

Marketing

In April 2000, Parable contracted with Wheaton Group for a significant amount of CRM work. At that time, an outside company maintained the database and performed the data processing associated with the corresponding mailings; that is, acted as its service bureau. However, it soon became clear

that the underlying data was in no condition to support the work plan. As a result, the CRM project was put on hold, and Wheaton Group and Parable refocused its efforts on fixing and enhancing the source data.

Wheaton Group put together several memos laying out for senior management what had to be done to support advanced database marketing. The message was that Parable could achieve its goal, but not without lots of hard work.

The first task was to review the database update process. Several gross inefficiencies, going back several years, were detected. In addition, a number of serious problems were discovered with the structure of the database, the ways that mail processing was being done, and with a prospecting model that had been built.

Eventually, Parable realized that, if CRM were going to be a core competency, it needed to think about bringing the data work in-house. It conferred with Wheaton Group, who counseled that this was a formidable but achievable goal.

With the assistance of Wheaton Group, Parable successfully built a centralized in-house data repository. The project was particularly daunting for several reasons. First, many months were required to identify and correct extensive problems with the historical data. Also, the single repository had to reflect hundreds of different stores and small store chains. Each of these has its own level of sophistication, and has to be treated as a separate profit center. For example, if a family has a relationship with three different stores or store groups, the database and corresponding reports have to reflect the three different customer relationships.

Upon completion of the centralized data repository, Wheaton Group built a statistics-based predictive model to replace the existing RFM cells. The model is a more sophisticated tool for determining which customers to promote. (For details, see “Retelling the Data Story,” *Direct*, April 1, 2002.) During the data discovery phase of the model build, a number of additional problems with the source data were identified and fixed.

The model allows customer names to be selected using eighteen predictors that are derived from more than 300 data warehouse fields or associated “calculated variables.” With transactional data flowing to Parable’s home office on a weekly basis, the client stores now know the ROI of advertising dollars spent with Parable. This is something that no other marketing group within the CBA vertical market can do. More recently, Wheaton Group has constructed multiple models that further refine the predictive process.

Wheaton Group and Parable also collaborated in moving the mail processing in-house from the third party service bureau. The two companies evaluated several multiple mail processing software suites before finally settling on FirstLogic’s PostWare.

To date, Parable’s in-house mailing team has processed many millions of records, and has solved a number of quality issues that existed with the former third party service bureau. As a result, Parable’s independent bookseller clients are now able to market to their customers more efficiently and effectively.

Parable and Wheaton Group have also collaborated on the creation of specific promotions and more targeted pieces. Throughout, the goal is always to cost-effectively increase consumer awareness and contacts for the client stores.

Merchandising

Utilizing the transaction data that is housed within the centralized data repository, Parable has built numerous tools to assist its member stores with inventory management. Owners, managers and buyers are now able to go on-line and review multiple reports that provide a national perspective on sales and inventory trends. Also available on-line are product information, purchase orders, promotional response analysis, in-depth marketing information, and many other services. Store staffs now have the ability to compare national data with their own numbers, either on-line or downloaded into their POS systems.

As a result of the above, store staffs are able to create “never out” lists and gain insight into missed opportunities relating to products that are national top sellers. “Never out” lists take several forms. Parable supplies core inventories, “80/20” reports, and best seller reports that allow the stores to compare their inventory in a particular category to a list of products that have been derived from national sell-through data:

- Core inventories consist of all the products within a category that should be carried by a store, based on need as well as sell-through patterns. This includes books that are first in a series of books, although that first book may not have made a best-seller list.
- “80/20” reports highlight the 20% of books within a given category that are responsible for 80% of that category’s sales.

Parable is also using the transaction data to help book and music publishers understand sales trends, and report on the results of promotional dollars invested in Parable’s marketing pieces. This information can be accessed on-line at ParablePartners.com, a password protected vendor-only site, or in hard-copy form. The goal is to collaborate and share information with publishers on how their product is faring in independent bookstores within the CBA market.

Operations

Parable has several initiatives within the operational area of Christian Retail. Working with wholesale distributors of Christian product, Parable signed a deal with Checkpoint, the security tag manufacturer, to tag outgoing product at wholesale distribution centers. In this way, the product is ready for shelving when it arrives at the stores, which saves time for the retailers. Also, Parable has arranged for the provider of the security system to allow retailers to acquire the system at no initial cost, and pay for it over time via tag purchase. For those retailers with high rates of internal shrinkage, this has been a very effective solution.

Parable has worked hard to drive the entire CBA industry towards overall best practices. Parable staff is represented on several industry committees that are focused on multiple important initiatives; for example, the creation of product coding standards, Electronic Data Interchange, and a single product database. Overall, Parable is committed to working with POS system providers to address the needs of the independent stores; and always with an eye towards new data-driven initiatives.

Tim Blair is Executive Vice President & General Manager of the Parable Group. He oversees the Accounting, Production, Creative, Human Resources, and Information and Marketing Strategy departments. Tim is also responsible for operational vendor relations.

Jim Wheaton is a Principal at Wheaton Group, and can be reached at 919-969-8859 or jim.wheaton@wheatongroup.com. The firm specializes in direct marketing consulting and data mining, data quality assessment and assurance, and cost-effective data warehouses and marts.