Know what your customers want before they do
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Harvard Business Review, December 2011

There was a time when consumers would rely on their neighbourhood shopkeeper to help them find what they wanted. The shopkeeper would not only locate the right product but even recommend other products. Today's distracted customer faced with too much information and too many options is quite confused and finds it difficult to locate what she wants. In stores, the staff are not of much help and while shopping online, customers are pretty much on their own.

Thanks to advances in information technology, data gathering and analytics, the same degree of personalization is becoming possible as in the case of the neighbourhood shopkeeper. Increasingly granular data is enabling businesses to steer customers to the right product at the right moment, at the right price and in the right channel. These customized offerings are called Next Best Offers (NBO). NBO programs not only make a retailer more competitive but also provide great returns on investment.

Four broad activities are involved in formulating and implementing an NBO strategy:

- Defining objectives: The goals of the program should be clearly defined. Examples are attracting new customers, improving customer loyalty and increasing customer wallet share.
- Gathering data: Detailed data about customers must be collected – demographic, psychographic, purchase history, purchase context, etc.
- Analysing and executing: Statistical analysis and predictive modelling should be used to match customers and offers.
- Learning and evolving: New offers must be designed after analysing the performance of the earlier ones.

Here are a few examples of how companies have used NBOs. The UK retailer, Tesco has focused its NBO strategy on increasing sales to regular customers and enhancing customer loyalty with targeted coupon offers. Tesco's Club Card program tracks which stores customers visit, what they buy and how they pay. Club card shoppers who buy diapers for the first time at a Tesco store are mailed coupons for baby wipes, toys and even beer. New fathers tend to buy more beer because they need to be at home instead of in the pub.

Walmart.com is finding ways to predict shoppers' purchases on the basis of their social media interests. Walmart's location based technologies help customers locate products in the huge stores.

A Chinese shoe retailer is testing offers that target the companions of the primary shopper. When a woman walks into one of the stores, with her husband, she is usually the primary buyer. So, for the husband, the retailer will offer a relatively cheap item. The insight here is that men who accompany their wives during shopping are more price sensitive than husbands who come into shop alone, looking for a specific product.