

STARCOUNT

Whitepaper: The key to understanding emotional loyalty



The Big Data revolution is here.

Technological innovation is happening at seven times the rate it once did, bringing with it a ceaseless flood of data about who we are, where we live, and what we do, buy and love.

2.5 quintillion bytes of data are generated every day – a number that is steadily increasing.

90% of the world's big data has been created in the last two years.

Today, businesses and organisations across society rely on data to stay relevant and fuel growth. Yet, the vast majority of businesses struggle to truly understand and capitalise on the sheer volume of information at their disposal.

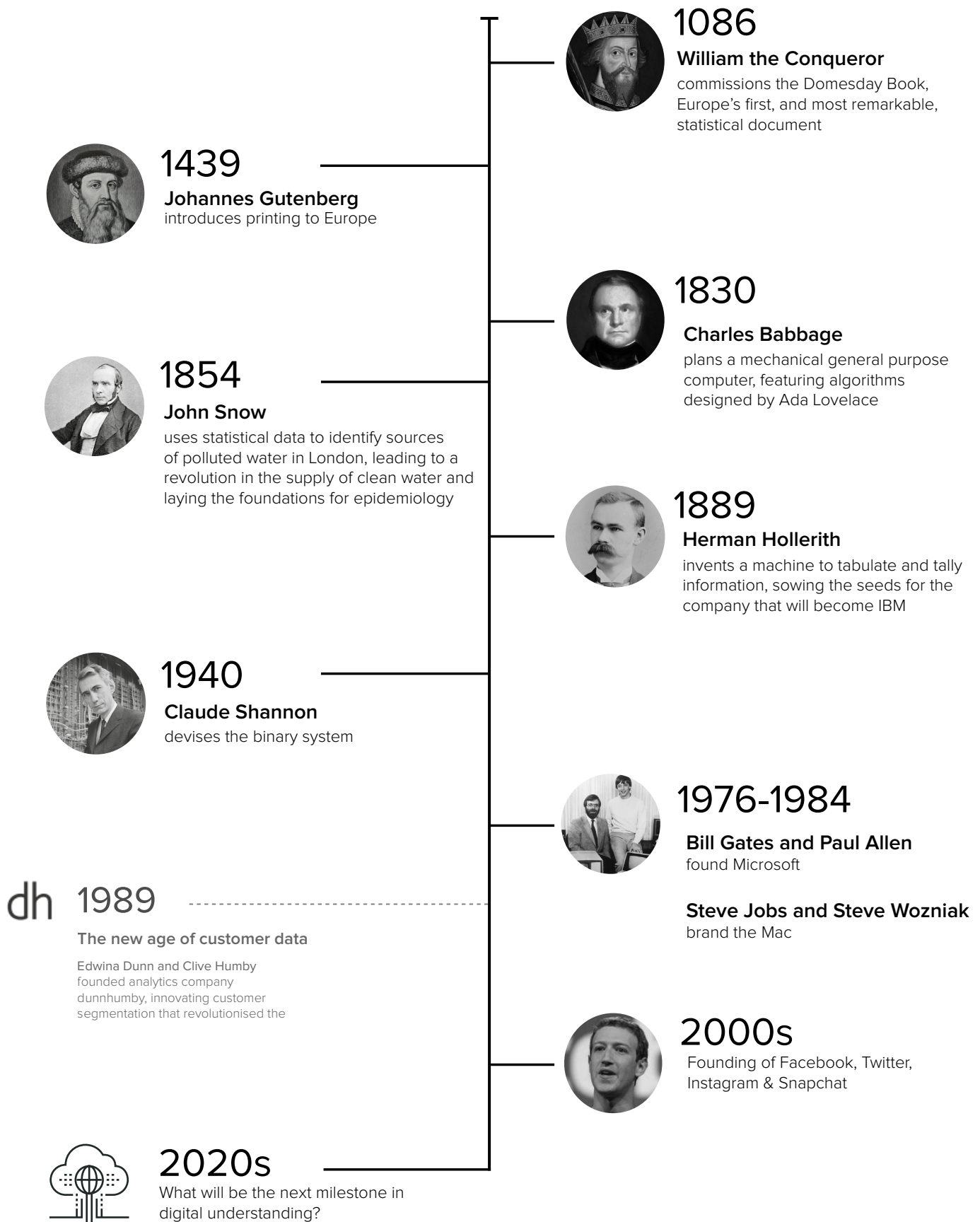
Leading the charge towards greater digital understanding is one of the dunnhumby founders, Clive Humby. Combining maths and creativity, he illuminates the patterns in customer data and weaves stories out of insights, with a real and remarkable effect on business growth.

Having transformed the global data landscape by taking customer insight from 'you are the job you do' to 'you are where you live', and then to 'you are what you buy', Humby is now leading data insights company Starcount to pioneer a new approach: 'You are what you love'.

By understanding consumers through their drivers, passions, mindsets and motivations, we can reinvent data strategy and help brands to become truly customer centric.

Decision-making will never be the same again.

Data pioneers through the ages: A visual timeline

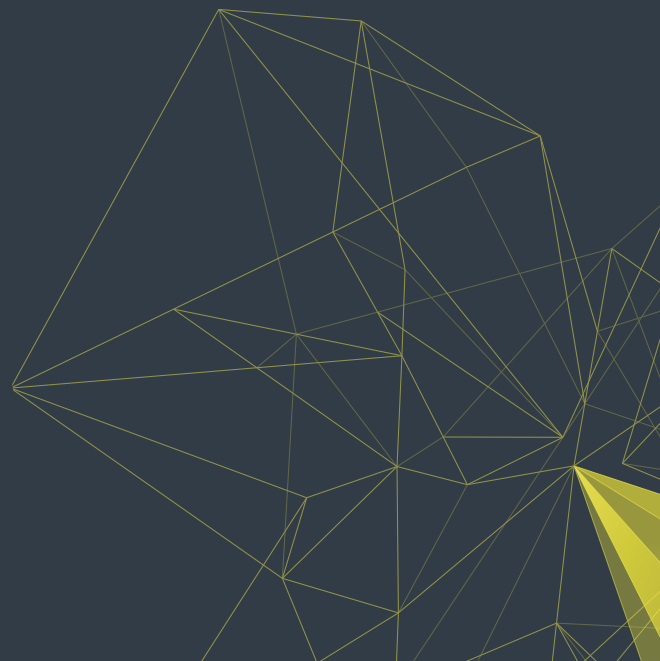


“a bold leap of marketing imagination can help secure a massive achievement.”

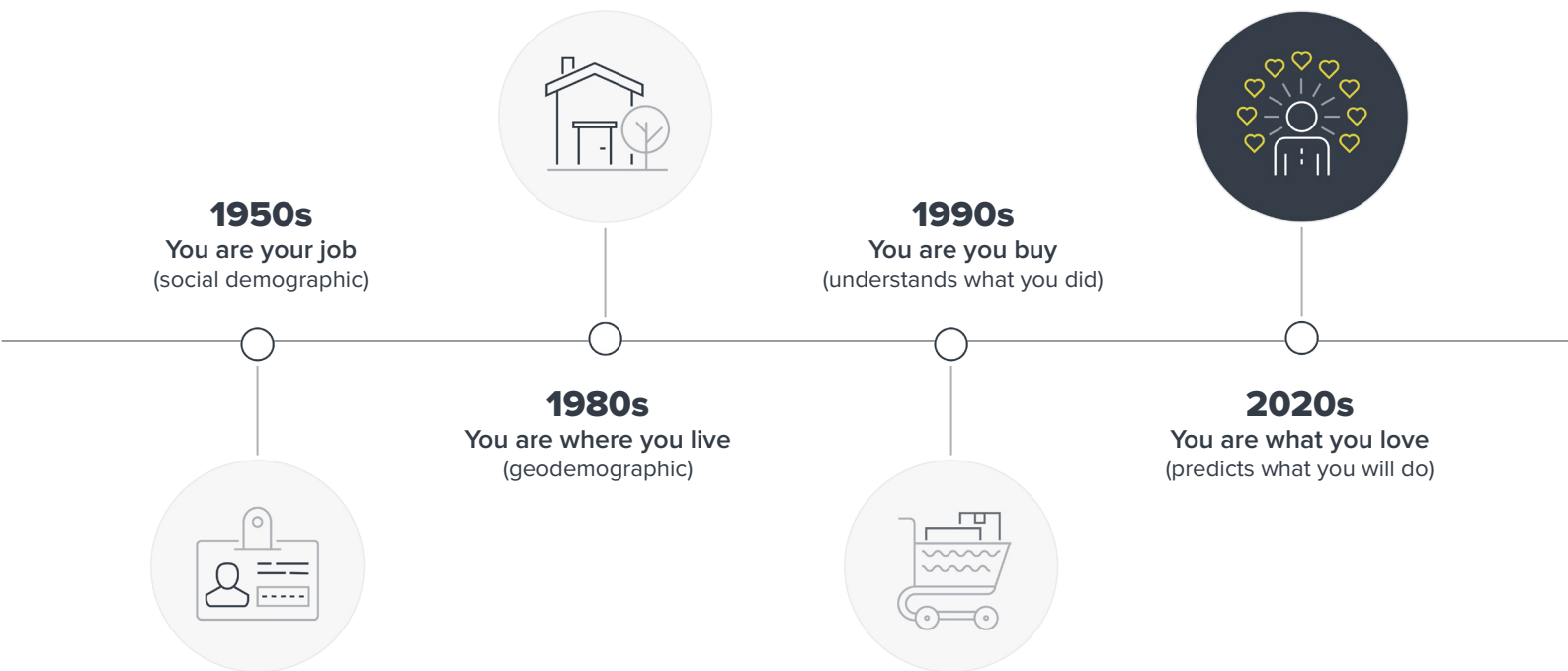
Clive Humby and Terry Hunt **Scoring Points**

“Great businesses can be built on one superb human insight.”

John Sills



Data insights: a timeline of consumer-centric segmentation



You are what you love

The world has changed significantly since the 1990s. No longer are we selling through bricks and mortar, and relying on terrestrial media. The new world is digital and multichannel, brimming with disruptive players. The borders have shifted, broadened, or even disappeared completely.

Yet, when it comes to customer insight, brands are still relying on the same sources and methods of understanding popularised by dunnhumby in the 1990s. By limiting themselves to transaction and behavioural data, businesses end up looking through a rear-view mirror, resulting in an incomplete view of their customers.

It's time we changed this.

By drawing on powerful third-party data, we can enhance brands' existing data by putting motivations and mindsets at the heart of customer insight, demonstrating what consumers really love and finding patterns around intention to buy. Using this approach leads to a complete customer view, informing board strategy and helping companies to become truly customer centric.



Why is change necessary?

Brands traditionally turn to market research and transaction data for insight into consumers. While both of these sources have their merits, they also have clear limitations. Market research data is sourced from a small sample of people and lends itself to an attitudinal model: rather than the data genuinely reflecting people's habits, brands can ask directional questions and get particular answers.

Transaction data can work well for large, transaction-heavy organisations like Tesco, but very few organisations have the richness of data to allow for true granularity. The average retailer sees their customer a maximum of 5-6 times a year, buying up to 9 items. This leaves a tunnel view of customers within the industry and a long tail of customers that brands struggle to understand or capitalise on. New segmentation methods and third-party data sources are needed to create a complete customer view.

The power of motivational segmentation

Motivational segmentation uses connectivity to find patterns that accurately describe what really matters to consumers. Using techniques such as graph theory, data scientists can examine similarities between consumers based on multiple connections, identifying passions and mindsets in social data, and spending behaviour in transaction data.

Instead of jumping from transaction to transaction without connecting them, motivational segmentation seamlessly joins the dots between purchases. This enables an expansive picture of the global market, one that is stronger than any past data model and is unrestricted by the limitations of sampling.

"While traditional modes of customer understanding are attitudinal, motivational segmentation is a behavioural model", explains Dr. Donal Simmie, Honorary Research Fellow with Imperial College London and former Data Science Lead at Starcount. "This means that it can be used to understand the future intent of consumers, giving a completely different perspective on who truly matters to a brand". In other words, motivational segmentation allows you not only to see consumers' behaviour, but also to understand the motivations behind it.



Passions



Motivations



Mindsets

Become truly customer centric

When segmenting grocery data, retailers typically use the price of products and frequency of purchase to force certain items together. Products that are frequently bought together are then examined, in order to understand why someone might have bought them.

This might be an obvious product grouping, such as nappies, baby wipes and baby food, or it could be a more complex combination, like frozen chips, discounted burgers and low-price eggs. This method becomes more complicated when you factor in markdowns; for example, the same bottle of wine could be bought by one group at £10 a bottle, and by an entirely different group - and for different reasons - at £6 a bottle.

For example, a grocer may have data on a banana bought in their store, including details like the weight, supplier and price.

However, the introduction of social data enriches the grocer's existing data to demonstrate how the banana can mean different things to different customers. Social data is not static or binary, meaning that it can reflect both the time of purchase and which items are bought together – key details that contribute to a complete customer view. A banana can indicate a range of drivers, depending on what's bought around it; for example, it could be eaten as a post-workout snack or packed into a child's lunchbox.

By overlaying transaction and social data, and applying motivational segmentation, we can create new data within a structure, enhancing rather than replacing first-party data to tell a clear story.



Understanding mindsets

Mindsets are motivations that unite large consumer groups across industries. They lie behind people's passions, reflecting their genuine values, personalities and lifestyles (for example, are they discount-driven, health-conscious or eco-friendly?). Mindsets can only be algorithmically determined on data sets like Starcount's social graph; very few other data sets are large enough to represent people's passions accurately, and even fewer offer such rich insight into how people spend their time.

Starcount's mindsets rely on a real time, traceable and global database, organised so that each social 'star' represents a passion, meaning that patterns can be traced clearly and automatically, rather than being retroactively interpreted and assigned.

Unlike social listening, this new approach goes beyond the mere 5% who actually produce content on social media, allowing brands unprecedented insight into the remaining, passive consumers – those who listen and watch, indicating their tastes by liking and following.

Capturing emotional loyalty

"The battleground has moved from what you do to what people say, think and feel about you."

Brand love is key to lasting brand-consumer relationships, but while all companies aspire to be loved, very few are. Traditional measurement methods focus on functional loyalty: that is to say, a customer returning to a particular brand again and again for practical reasons, such as an enticing reward scheme or a convenient location. Emotional loyalty, however, is more complex and hard-won. A customer will only become emotionally loyal to a brand when it corresponds with their passions, values or ideals.

The same brand may attract a range of loyal customers for different reasons. One consumer group may shop at H&M because it's affordable and widely available (functional loyalty), while others may choose to buy regularly from the brand's eco range because they care deeply about the environment (emotional loyalty). Understanding consumer mindsets can tell you whether your brand is winning on the emotional scale, as well as the functional one.

Using mindsets, brands can forge emotional connections with consumers by tapping into their genuine passions and aspirations. Whether it's a start-up or an established conglomerate, any brand that truly understands and caters to the needs and desires of their customers will feel numerous positive effects.

This concept was illustrated memorably through John Lewis' Christmas 2014 'Monty the Penguin' campaign, which featured a heart-warming message to capture the attention – and earn the affection – of current and potential customers.

"In the Monty campaign, the feeling was the message. The huge profits it generated show just how powerful feelings can be."

Campaign Magazine



Let the data tell the story

Motivational segmentation doesn't impose categories on the data – something which clearly differentiates it from past segmentation methods. This is achieved through a combination of clustering and clumping techniques.

Every customer in a database has a multitude of markers, covering thousands of products purchased, or – in the case of Starcount's database - social accounts followed. Clumping understands which of those markers are surrogates for each other, allowing Starcount to identify a group of markers which are commonly linked – forming a clump. This simplifies the data, taking it from thousands of markers per customer to a few key labelled clumps. These clumps are used to determine a particular individual's tastes, passions and product preferences.

Scores can then be assigned against each clump, enabling a clear understanding of a person's motivation: for example, the markers attached to an individual could represent 20% cycling, 40% parenting, and 40% fashion. Depending on the scores against each clump for each customer, people who share a common pattern across their passions can be clustered together, making the data more manageable for brands. This method, therefore, looks for consumers who are alike in a multidimensional space.

We can also choose the level of granularity through which the data is viewed to suit the need of a particular brand. For example, a consumer might be broadly passionate about gaming, or about PlayStation gaming specifically, or, even more specifically, about playing FIFA on PlayStation. A gaming client might want an in-depth view on customers who play specific games, while a fashion brand may be interested in stylish customers with a broader gaming passion.

Finally, we can ascertain the embeddedness of a particular audience. A fan of Stephen Fry, who also follows 15 other British comedians, likely enjoys Fry for his comedy skills. On the other hand, someone who follows Stephen Fry along with a range of other entertainment stars is interested in Fry as a TV personality, rather than because they are particularly passionate about British comedy. The latter person is a less embedded comedy fan.



Brands: a treat or a lifestyle?

Motivational segmentation can be used to enrich credit card data. Rather than looking at customers through the lens of volume and value, this detector method groups together particular card merchants, or retail outlets, by the groups of customers who shop there. In this way, it enhances transaction data by forming multiple customer clumps and examining the spread of money across them, in order to clarify both the purchasing behaviour and the motivation for purchase.

This approach enables a much clearer understanding of customer habits; it becomes possible to see which retailers sit together both within and across industries, giving a more complete view of a customer's spending activity. For example, a Selfridge's customer who also regularly spends money on expensive jewellery, eating out and theatre tickets clearly lives a high-end lifestyle. However, another Selfridge's customer whose highest regular spend is on essential purchases, such as bills and groceries, is likely to count a trip to Selfridge's as an occasional treat. Using motivational segmentation allows us to clearly see the difference between the two.



Brands: a passion or practical?

It's not just retailers that can benefit from motivational segmentation. By enhancing ticketing data with motivational segmentation, for example, Starcount can understand the drivers behind theatre attendance and predict future cultural behaviour. One customer might regularly attend a range of high-brow theatrical productions, but also visits an annual Christmas panto with their family. In that case, the motivation behind the pantomime visit is to entertain their children, rather than an indicator of their personal taste. Another customer might attend the same panto, but also regularly watches Dancing on Ice and The Lion King. By examining what other cultural events this person attends, as well as the panto, it becomes clear that light entertainment is in their general sphere of interest.

Social data statistics

SOCIAL DATA

2.34 Billion

ACTIVE SOCIAL MEDIA
USERS WORLDWIDE

91%

OF RETAIL BRANDS USE 2 OR MORE
SOCIAL MEDIA CHANNELS

1 Million

NEW ACTIVE MOBILE SOCIAL MEDIA
USERS ARE ADDED EACH DAY

313 Million

MONTHLY ACTIVE TWITTER USERS

STARCOUNT DATA

98

COUNTRIES
WORLDWIDE

330,000

STARS

38 Billion

CONNECTIONS WITH 30 MILLION
NEW CONNECTIONS PER DAY

1 Billion

FANS

Be a market leader

The balance of power around information is changing; GDPR (General Data Protection Regulation) is looming. Customers are taking control of their own data, deciding what they will and won't share with brands and organisations, and wanting to know what they'll get in return.

Despite the abundant opportunities of the personal information economy, most brands don't have the internal capacity or capability to understand or enhance their own data. At the forefront of the new data science frontier are companies, like Starcount, that translate this flood of information into usable intelligence that can inform business strategy at a boardroom level and help brands to secure a competitive advantage.

"The voice of the customer at board level"

Through motivational segmentation, brands can achieve 'known' customers and behaviours, as well as channel and journey optimisation. Retailers can gain higher footfall, increased share of wallet, better offers and new service development, while manufacturers can achieve improved marketing ROI, better NPD, effective promotions and boosted brand loyalty. Customers also stand to gain from motivational segmentation, getting more relevant products and offers, better prices and an improved overall brand experience.

Social data allows access to a massive, independent audience, and is especially beneficial for getting to know the younger end of the market, who are yet to firm up their brand loyalty decisions. What's more, social data gives unprecedented insight into the long tail of customers (those who shop at or visit a particular business infrequently).

Most brands rely on the RFM (recency frequency monetary) model, meaning that they focus their energy on their most loyal customers. Motivational segmentation expands that vision to include both the long tail and customer acquisition opportunities. Brands can use this new insight to identify the drivers of target consumers and use that knowledge to focus their marketing efforts. By understanding purchasing triggers, brands can identify new sales opportunities and build long-term customer relationships. Catering to customers' specific needs is the best way to encourage and nurture brand love.

"The new reality for business is one where customers have significant influence to wield and their voices must be heard."

Internal data alone can't tell you which of the four reasons above influenced a particular purchase. However, it can tell you whether or not the spending was out of character: was the purchase cheaper than usual (scrimping) or more expensive than usual (splurging)?

Scrimping indicates a practical purchase, in which price matters more. Splurging indicates an emotion-based purchase, in which branding matters more. If retailers can understand the difference between scrimping and splurging, they can use it to inform price points, margins and discounts.

This is where mindsets are useful; by enhancing transaction data with social or third-party data, brands can understand not just where people treat themselves, but why. This allows them to anticipate purchasing behaviour and market accordingly, from associating the brand with a particular passion to changing price points to increase margins.

Why do people buy and spend?

1. Need (I have to eat to live)
2. Desire (I want to own that coat)
3. Treat (I deserve a spa day)
4. Gift (I'll give that as a Christmas present)

Motivations are predictive of future buying behaviour

Motivational segmentation allows you to understand and predict those moments when an individual is thinking of making a purchase, helping brands to intercept consumers at the right moment using the appropriate messaging and channels. This could be anything from a newly-engaged couple, beginning to look at wedding-related venues, brands and media, or a student preparing to go to university.

"Customer data is a useable resource to understand better what customers did, and a predictor of what they might do in the future."

What's more, as this technique is behavioural, rather than attitudinal, it is useful for highlighting customer groups that brands may not have previously considered, along with their differing motivations for shopping. This insight can be used to understand purchase triggers and predict future sales. Take Superdrug, for example: using social insight, we can identify that Superdrug has two clear audiences within the UK beauty industry, one motivated by value and one by convenience. While Superdrug often sells itself on its low prices, the convenience segment is twice the size of the value segment, indicating that Superdrug could be missing out on an opportunity to improve customer engagement and spark growth. By understanding that the majority of their customers are motivated by convenience, Superdrug can begin to unpick where and when they will choose to purchase.

It's also enlightening to take consumer motivations into account when predicting share of wallet across a particular sales period. This was illustrated in a recent study by Starcount, comparing supermarket sales figures for Christmas 2015 with the change in supermarket followers across the same period. Although a supermarket's overall Twitter followers did not necessarily correlate to their Christmas sales figures, clear passions emerged when the analysis was focused on clusters of followers with relevant passions. In this case, a boost in sales figures correlated to an increase in followers from the 'foodies' and 'supermarket lovers' segments, proving a clear link between social data and actual sales.

What's the catch?

There are two main reasons why brands and agencies aren't currently using motivation segmentation to sort and enhance their data in-house.

The data capability

Starcount understands audiences through tracking connections and changing preferences. This method requires a large third-party data source; collecting and sorting the data is an immense challenge.

Most organisations have, naturally, been focused on trying to get their own data into shape – a task which, in itself, is not easy. It's all too easy to build a narrow customer view through first-party data, so that internal analysis teams become just another version of management reporting.

Data privacy concerns are, understandably, at the forefront of minds. Companies need trusted experts with a history of dealing with customer data and a detailed knowledge of GDPR to steer them through the potential dangers of digital transformation.

The experience

Building a complete customer view requires specific expertise; the best data analysts are both mathematicians and creative thinkers, a combination of skills that is difficult to come by.

Storytelling is essential to motivational segmentation. As much as it might be tempting to throw computers at the problem, machine learning can't replace human interpretation. It's important to understand the real world applications of the data in order to convert insight into a marketing message. While a computer might pick out clusters and patterns, it would struggle to accurately translate the numbers into an actionable business strategy. Human expertise combined with motivational segmentation leads to an understanding of true purchase drivers, without imposing pre-assigned categories on the outcomes.

Machine learning can be very effective in a binary world. In credit scoring, for example, computerised algorithms will quickly sort through as much information as possible, allowing people to get a loan but skipping the dangerous investments.

New data science models, however, are covering less predictable ground and are focused on the future. As Clive Humby says, "We're not trying to run a steady state model; we're trying to understand what's changing". Machine learning won't transform a business. True growth comes from using data to create dynamic stories that move both businesses and consumers to change the ways in which they engage and respond.

"Data is the new oil. It's valuable, but if unrefined it cannot really be used. It has to be changed into gas, plastic, chemicals, etc to create a valuable entity that drives profitable activity; so must data be broken down, analysed for it to have value."

In summary

The history of customer insight is characterised by the breaking of boundaries, both of accepted classifications and of business models.

In this new, technologically-driven world, consumers expect brands to recognise, predict and cater to their passions, needs and desires. If we're truly to understand these digital life stories, we must continue to pioneer and embrace new approaches and methodologies.

The world of Big Data can appear strange, overwhelming and even dangerous. Nonetheless, brands that grasp the opportunity presented by the personal information economy and stride boldly into the unknown face the possibility of real and exciting growth.

Luckily, with mindsets and motivational segmentation, brands no longer have to stumble in the dark.

"The growth in computing power has allowed us to innovate at the very edge of what is possible, and it continues to aid us as we embrace into the digital world"

About the author



Dr. Clive Humby

Chief Data Scientist

Clive has nearly 40 years' experience in Customer Analytics across 30 markets globally. From creating the first geodemographic system, ACORN, in the 1980s, to developing the use of motivational segmentation in his current role at Starcount, Clive is acknowledged as one of the world's pioneers in the discipline.

With his business partner, Edwina Dunn, he founded global consumer insights businesses, dunnhumby, which revolutionised the use of transaction data for the FMCG industry, before expanding to work with a wide range of consumer-facing businesses, from banking and telecommunications to department stores and online retailers.

He was first to coin the phrase "Data is the New Oil" and is consulted at all levels, from government on the implication of Data Science in the UK Economy through to individual clients where he leads key work streams designed to step change their businesses.

He has elected honorary Fellowships at the Institute for Direct Marketing, the Market Research Society and the Institute of Mathematics and its Applications, and was made a Patron of the Market Research Society in 2013 and Companion of the Operational Research Society in 2014. He has an Honorary Doctorate of Engineering from Sheffield University.

Other contributors





About Starcount

Starcount helps you to understand customers more than ever before by driving greater value from your customer data, and providing an additional enriched lens of insight into customer loyalty. We believe that knowing the customer better than anyone else helps to create a new customer-centric business culture – a focus on relevant and timely customer service and engagement.

Led by the transformational data pioneers, Edwina Dunn and Clive Humby, Starcount has a rich heritage of exploring and capturing current and fast moving data around customer loyalty.

Get in touch:

team@starcount.com

We are not just data scientists and software engineers, but experienced customer storytellers.

Combining a wealth of customer insight with new era digital and social intelligence, we uncover consumers' wider motivations, mindsets and aspirations. This allows us to help you forge deeper emotional connections by reconsidering business strategy, capturing consumers at the perfect moment and nurturing brand love. We can help you find a true and sustainable competitive edge.

Website www.starcount.com

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