



What's New Between the Covers of Cécile's Catalogs

Japan's Cécile co., ltd. Adds Business Intelligence to Its Catalog Mix



The challenge
To track and analyze changing customer buying behaviors and adjust business strategies accordingly

The solution
A complete IBM technology package including hardware, software, consulting, and education which enables innovative one-to-one marketing strategies.

IBM Checklist
IBM DB2 UDB V5.2
IBM Intelligent Miner V2.1
IBM RS/6000-SP (8 nodes)
IBM consulting and services
IBM education

Catalog shopping is about dreaming. With the turn of a glossy page, a person can become whomever or whatever he or she chooses. Colors. Patterns. Textures. The latest products. And the most modern styles. There's a world of opportunity waiting between the front and back covers of the enticing catalogs, enabling anyone to dream twenty four hours a day.

Five years ago, Japan's catalog mail order business was straightforward: one company's catalog bore little resemblance to the next, and each company had its own unique identity. But ever-increasing competition spawned an era of similarity. Now, the country's leading mail order catalogs are more alike than they've ever been before, and carving out a unique identity is difficult. Cécile co., ltd. has

attacked the problem one-on-one, though, with the help of an innovative business intelligence solution from IBM.

Cécile: a leader in Japan

Cécile has a long history of providing good products that are inexpensive, convenient, and easy to purchase. The company has sold its up-to-date, high quality products to the more than 15 million Japanese consumers. For 25 years, the company has been one of Japan's leading mailing houses, and for longer than a decade, the marketing giant has held the leadership position. Cécile's main product lines,



*Mr. Michikazu Masaoka,
president*



commodities, basic items for daily life and clothing have traditionally been targeted to housewives in their 30s. Seven main catalogs present the most frequently selected readily-available product lines – lingerie, cookware, furniture, curtains, bed goods, apparel, and clothing – while four highlight special-order items. New product lines are also under development, and will be featured in three basic catalogs highlighting inner fashion, outerwear and sundries. Cécile has plans to publish a total of ten varieties of catalogs, including those targeted to specific age groups and specialty catalogs for certain types of products. Cécile's impressive state-of-the-art Shido Product Processing Center, located on the island of Shikoku, is the pivot point for receiving these products from Japanese manufacturers and subsequently conducting quality control checks, stocking products, processing orders and delivering goods to customers.

Relationship marketing from IBM

In past years, although Cécile studied its customers and had a clear picture of its most popular products and its best audiences, its method for tracking customer behavior was traditional and time consuming: statistical analysis done in batch mode. Additionally, neither Cécile's informational database nor its data analysis capability provided the types of critical and actionable information that was really needed.

When tough economic times change buying habits, though, competitive companies must find new techniques for keeping pace. In an economic downturn, for example, customers save money for special purchases, dividing their loyalties or even curtailing some commodity spending entirely. In spite of the fact that Cécile and many of its competitors previously targeted homemakers, the corporations suddenly found themselves looking to new markets for mind share – especially to the newly affluent younger generation.

In view of the changing marketplace and the troubled Japanese economy, Cécile's company executives took a hard look at business conditions and realized that one-to-one marketing was fast becoming a necessity. Mr. Hayakawa, Cécile's representative managing director, describes the company's new competitive weapon, "With the help of IBM's leading-edge technology, we're now carefully analyzing the character of various consumers in our marketing mix. Each day, we're making new discoveries which help us make better decisions about our future business strategies."

Discoveries with Intelligent Miner

IBM's business intelligence solution, which includes IBM's Intelligent Miner, has afforded Cécile the ability to study customer segmentation and cross-selling. The new business intelligence technology enables Cécile to determine buying patterns, trends, preferences, and key insights into how and why customers purchase. Newly discovered data leads to efficient business decisions regarding key questions: How can catalogs be most effectively designed? To whom should they be distributed? Should different special promotions go to different individual consumers within the same age group? What consumption patterns or trends can be determined about a particular customer? What might that customer be most likely to buy?

"This kind of analysis is very effective for catalog shopping," Mr. Hayakawa notes. "In order to effectively market products one-to-one, we need to know such things as the lifetime value of our customers, and whether a particular customer is on an upswing or a decline. We also want to know the most effective means for determining our weakest product areas and what can we do to attract new customers."

*Cécile's state-of-the-art
Shido Processing Center*





*Mr. Jun Fujikawa
manager, sales planning department*

Segmenting means better service

Conventionally, Cécile's analysts evaluated customer purchasing habits by segmenting them into groups. In recent years, however, they determined that directly responding to customers' needs really requires more minute segmenting – by age, by gender, or by employment status, for example. It was important for Cécile to implement a mechanism to more precisely segment, but the team knew that they still had to effectively mass market at the same time. IBM Intelligent Miner was the software tool that afforded Cécile both capabilities.

Cécile's team spent three years investigating solutions before reaching a decision as to which to implement. "We went through long discussions to evaluate what system was best," remarks Mr. Hayakawa. "But thanks to those three long years of discussion, in the end, we knew exactly what kind of data we wanted to process, and what specific type of system we needed to implement," adds Mr. Fujikawa, manager, sales planning department. The team also worked diligently to prepare the infrastructure and computing environment in advance. Finally, all of the potential suppliers – including formidable competitors – were invited to beta test their data mining capabilities at Cécile's site. IBM emerged as the winner. "We chose IBM's Intelligent Miner software, and we started to implement in July of last year," Mr. Fujikawa smiles. "Including the final details to make the environment ready, our implementation took only one month!"

The new solution includes IBM Intelligent Miner and an IBM RS/6000-SP with 8 nodes and 32 CPUs. Order information is updated daily to the IBM RS/6000 data warehouse, and additional information obtained by Cécile's 300 professional help desk operators is input into an IBM RS/6000 through the existing Fujitsu system.

Five specialists are trained in the application, and their education took a little more than three weeks. Cécile's department feels that IBM's consultants made a big difference in the learning process. "The consultants have made data mining and other topics very clear to us," Mr. Fujikawa notes. "We know that IBM is one of the largest consulting companies in the world – and this was our first experience using outside consulting services – but the expertise and the method of teaching was down-to-earth and comfortable for us. The IBM consultants made data mining easy to understand." And the analysts are now beginning to learn DB2, thanks to a three-day IBM seminar on the subject.

Cécile's team made the decision to go beyond simple data warehousing to data mining because automatic data mining tools minimized the number of experts required to manage the system. "Also, my understanding concerning

conventional data warehousing is that it depends upon empirical knowledge. One must have a hypothesis to analyze the data," Mr. Fujikawa explains. "Our past analyses operations involved a number of steps – discovering trends, searching for causes, and examining action to be taken," he continues. "All the while, we repeatedly developed hypotheses based on experience and then we tested them. Considerable practical experience was required. But thanks to the implementation of IBM's Intelligent Miner," he summarizes, "we acquired the capability to notice tendencies or trends which we might not have seen in the past."

Accurate answers in less time

The new solution has provided Cécile with many benefits. Previously, it took anywhere from one week to one month to get query results from the company's separate analysis group. Now, if a question is asked in the morning, analysts can have an accurate answer in the afternoon.

Before the IBM solution, Cécile's conventional analysis methods only enabled analysts to discover collective data. With that type of data, performing



*Mr. Hiroshi Hayakawa
representative managing director*

chronological analyses was difficult, and required a large computing capacity. Thanks to the implementation of the IBM solution, Cécile can store and analyze up to five years of data.

In a conventional system, two things can readily reflect on trend analysis and subsequently on sales planning: linear models and phenomena with a high probability of occurrence. With Cécile's new system, however, even difficult-to-incorporate high-probability trends can be effectively handled. With the new system, Cécile can understand not only the current possibilities, but also future implications.

Cécile's executives give this real-life example of IBM Intelligent Miner's return: For the previous decade Cécile tried to acquire regional data — that which went beyond Japan's 47 prefectures — regarding customer acquisition. Past analyses had netted no specific differences between the prefectures — only average figures. "With IBM Intelligent Miner, we drilled down beyond to the municipal levels, to cities, towns and villages," Mr. Hayakawa notes. "We discovered new data: instead of average numbers in the 30% range, we saw figures as low as 15%. And our highest figures jumped to as much as 60%," adds Mr. Fujikawa.

High hopes for future benefits

Mr. Hayakawa has high hopes for the solution to drive business directions which increase profits, "The recession in

Japan has caused our company and many others to suffer record financial losses. In our strategic business activities, we'd like devise ways to recover lost profits — particularly in this year's activity. We think the IBM technology can help us achieve this."

In the mid- and long-term, Cécile's team hopes to realize some dreams of its own, increasing sales and lowering costs through distribution of much thinner, more targeted catalogs which closely match individual needs. "Having many types of smaller catalogs will enable the company to better respond to the particular needs of its varied customers, while at the same time, providing the company with a better bottom line," projects Mr. Hayakawa. With this strategy, Cécile's executives estimate that they can improve costs per order on a year to year basis by 4%.

The other key part of Cécile's strategy is to continue to make breakthrough discoveries about customers they serve, ultimately learning almost as much as if their interaction occurred face-to-face. The result — higher profits, increased sales, and a continued leadership position — will prove that not only is there a world of opportunity between the front and back covers of their catalogs, but also, a wealth of business intelligence.

Want to know more?

For more information regarding IBM's business intelligence solutions, contact your IBM client representative or visit our Web site at <http://www.ibm.com/bi> or visit <http://www.ibm.co.jp/crm/>



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