

PARCO Uses An Omnichannel Retail Customer Data Platform to Create a Better Future



Many companies claim they are “data driven,” but PARCO Co. Ltd.—the 66-year-old Japanese shopping-mall and department-store chain—has earned that title. It competes with both large online retailers and brick-and-mortar chains by capitalizing on the innovative use of multiple data sources. Data from geolocation, Internet of Things (IoT) devices, loyalty programs, cell phone apps, and even weather sensors on mall rooftops all figure into PARCO’s strategy to create omnichannel personalization and achieve data-driven retailing that gets results.

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Naotaka Hayashi
Group Executive Officer
ICT Strategy Office, PARCO

CHALLENGE

In the midst of eCommerce growth, PARCO was faced with competing on convenience while marketing and maintaining its brick-and-mortar shopping outlets.

GOAL

Employ a data-driven marketing strategy with one scalable system for actionable insights to improve in-store customer service and increase customer lifetime value (CLV).

RESULTS

- Delivered a 35% increase in store visits through deep digital insights from their loyalty app, POCKET PARCO
- Increased in-store traffic with IoT-driven promotions based on location and weather that drove a 25% purchase rate
- Improved the repeat visit rate by 8% with insights based on unified survey, LTV and purchase data

THE CHALLENGE

Deliver Omnichannel Personalization to Compete with International eCommerce Giants



As smartphone use has continued to expand so has eCommerce, often threatening traditional brick-and-mortar retailers. But Naotaka Hayashi, executive officer for the Group ICT Strategy Office of PARCO, has a data-driven philosophy for competing with Amazon, Rakuten and others like them. “I do not think that eCommerce and physical stores conflict with each other. We have embarked on a journey to find a way to use digital data in our physical stores to increase customer engagement,” Hayashi says.

The retailer—which has 18 shopping malls nationwide, including Shibuya PARCO (set to reopen in Fall 2019) and Ikebukuro PARCO—was early to adopt a long-term omnichannel strategy to revitalize its shopping centers through the use of digital touchpoints and data.

Increasing Customer Lifetime Value with Technology-backed Customer Service

PARCO’s mission is to support the 3,000 retailers operating within its shopping centers nationwide. With a focus on increasing sales and customer engagement, PARCO is “expanding customer service through technology,” as Hayashi puts it. Instead of considering the digital channel as separate from the in-store channel, the company uses multiple digital touchpoints to enhance the customer service in stores.

PARCO’s omnichannel retail strategy started in 2013 as an effort to expand customer service in its brick-and-mortar locations. As online shopping moved to smartphones, the company provided mobile optimization for all of its tenants’ websites and then handed over control to the individual retailers. As a result, retailers used shop blogs to communicate store updates and product information to their customers.

THE SOLUTION

A Customer Data Platform for ALL of PARCO's Omnichannel Data

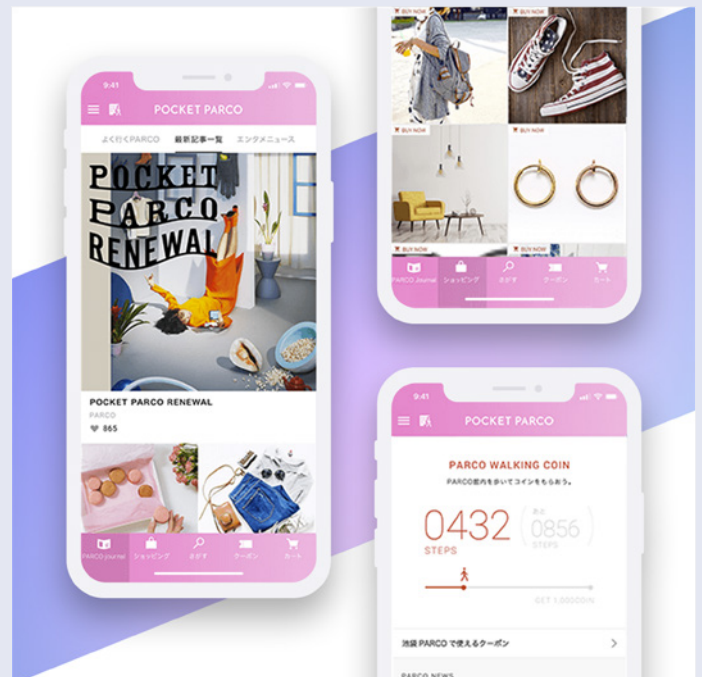


Along with the shop blogs, PARCO released an official smartphone app, “POCKET PARCO,” in October 2014. This app serves as a rich source of digital touchpoints, allowing PARCO to provide more personalized interaction with shoppers. Through the app, customers receive event and product information, coupons from PARCO and individual shops, and shopping support during store visits. Data plus Treasure Data enterprise Customer Data Platform (CDP) empowers PARCO to visualize customer behaviors and provide deep personalization.

Since the app's release, the omnichannel retail strategy of “technology-backed expansion of customer service” has evolved to the second stage.

“Shopping centers such as ours did not have a way of knowing the entrance a customer takes, which shops the customer stops at, and whether or not any purchases were made. However, the use of the app is helping us comprehend such customer activity and respond in a personalized way,” said Hayashi.

PARCO smartphone app “POCKET PARCO”



THE RESULTS

Omnichannel Personalization Strategy Reaps Rewards



According to Hayashi, data from the app allows PARCO to better understand its reward-motivated customers and customer satisfaction. Adding an element of gamification, shoppers earn “coins” on the app as part of PARCO’s rewards program. Customers earn a coin when they clip (as a favorite) blog articles from PARCO retailers, check into shops, make payments using registered credit cards or prepaid cards, and so on. Once a customer collects a certain number of coins, the coins can be exchanged for a gift certificate. Meanwhile, PARCO benefits from the ability to gather meaningful statistics based on customers’ shopping history and in-store behavior.

Clipping a Blog Article Significantly Impacts Shopper Behavior

What kind of insights can a shopping app deliver? According to Hayashi, data analysis revealed a correlation between favored blog articles and sales. If a particular blog article is “clipped” by a certain number of shoppers, then foot traffic and sales for that shop will likely spike in the coming week. By using this “equation,” PARCO optimizes blog article recommendations based on customers’ preferences and behavioral data. PARCO uses machine learning to analyze which blog articles customers frequently clip and where customers go after clipping each blog. The results are used to decide which articles to show customers.

“Our one-year analysis revealed that a customer who clipped a shop article had a 35 percent higher tendency to visit a shop than a customer who did not clip. So the simple act of tapping a clip button on the smartphone app has the power to boost the store visit and shopping probability in the following week by as much as 35 percent. Such a big difference in subsequent actions depends solely on whether an article is attractive enough to induce a tap or not, so it is very important to increase recommendation accuracy by AI and other tools,” said Hayashi.

Using Geolocation, Smartphones, and Omnichannel Personalization to Boost Shop Visits and Shopping Time



PARCO also uses location data to improve sales. By capitalizing on a geofence—an invisible array of sensors surrounding a PARCO shopping mall—and the GPS function on customers' smartphones, PARCO sends store notifications to customers using its app as soon as they enter the area. For instance, POCKET PARCO sends a push notification to customers near a store having a sale. According to Hayashi, about 25 percent of customers who receive the notification visit the store and make a purchase before the sale ends.

Additionally, some of the PARCO stores leverage data from the geofence and environmental sensors to drive store traffic. When an environmental sensor installed on the rooftop of a store detects rain, the app sends a "rainy day special" notification to customers nearby, prompting store visits on rainy days. "This allows us to increase the number of customers, regardless of the weather," stated Hayashi.

What PARCO Learned from a Store-walking Game

Adding another layer of gamification to the POCKET PARCO app, the company introduced the "PARCO WALKING COIN" to all stores in May 2018. By using a smartphone's step counter, PARCO can track the number of steps a user takes in each store. Customers earn "coins" when they reach the target in-store step count. The goal is to help customers encounter more in-store events and explore shops they've never visited before.

The result? Those who participate in the PARCO WALKING COIN game visit more stores, make more purchases and spend more money than those who haven't used it yet.

The Link Between Improving Customer Service, Reviews, and Boosting In-store Visits



PARCO also evaluates customer data to promote customer engagement and improve customer lifetime value. In exchange for earning a coin, POCKET PARCO asks users to rate retail shops in the form of a 5-point customer satisfaction survey. This initiative has allowed PARCO to collect several million customer reviews. By analyzing both customers' reviews and purchases, PARCO found a correlation between a store's favorable reviews and increased repeat visits. PARCO shares survey results with its retailers so they can address factors causing a low score and improve their overall customer experience.

As part of a constant effort to leverage data, one of PARCO's initiatives targets first-time shoppers by encouraging them to visit the store again. According to Hayashi, data analysis showed a correlation between customers who made a second purchase within a month of their first purchase and a higher customer lifetime value.

After an initial purchase from a store, shoppers who haven't returned within a certain timeframe receive a push notification inviting them to revisit that shop. An A/B test found that customers who received this notification had an 8 percent higher repeat-purchase rate than those who did not.

The Strength of Retail Stores and the Role of Omnichannel Retail Technology in PARCO

Hayashi believes in the entwined, dual-power relationship between physical stores and digital touchpoints. He points to the convenience of online shopping as the main reason eCommerce continues to grow. By using customer data to make in-store shopping more convenient and relevant, PARCO and other brick-and-mortar retailers can compete with eCommerce giants.

Hayashi explains, brick-and-mortar stores have a big advantage over eCommerce—customer service by real live human beings, who can pick up on cues customers give in face-to-face interactions.

“What we need to do is to understand the strength of shop staff, who can offer consultation to customers, and then take the sales interaction to the next stage. In the coming AI era, creative work will survive. Customer service is, by nature, creative work that makes the customer happy”

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PARCO

How to Improve the Customer Journey with Better Support for Customer Service



At the same time, Hayashi points out that customer service itself has an issue. Severe shortages in the workforce can stretch shop staff thin as their workload increases and the time they can spend with customers decreases.

PARCO is recreating customer experience in the era of digital shopping. By keeping in-person customer service alive and well and augmenting the in-store experience with technology, PARCO is ensuring a better future for itself and all of its retailers.

“Our approach is such that their workload should be complemented by technology, so they can spend more time with the customers. It is PARCO’s mission to create an environment in which the staff in our shops can engage with customers, and make the customers want to come back to the shop”

Naotaka Hayashi

Executive Officer for the Group ICT Strategy Office,
PARCO



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