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ROI CASE STUDY

IBM SPSS REDCATS

THE BOTTOM LINE

Moving from SAS predictive analytics to IBM SPSS enabled Redcats to execute on its big data investment to drive more effective marketing analyses. Nucleus found adopting SPSS as a common analytical tool drove faster analysis, greater collaboration across departments, and lower technology costs.

ROI: 112%

Payback: 11 months

Average annual benefit: €519,759

THE COMPANY

Redcats is an international group of online fashion, lifestyle, and sports and leisure goods brands that includes the leading French brand La Redoute. La Redoute was one of the first mail order catalogs, launched in France in 1928; then the "Groupe La Redoute" was renamed Redcats in 1999 to reflect its growing group of e-commerce brands. In 2011, Redcats had more than 24 million active customers in more than 30 countries. Its brands include La Redoute, Cyrillus, Vertbaudet, Daxon, Castaluna, Ellos, OneStopPlus, Jessica London, Roaman's, Woman Within, KingSize, BrylaneHome, The Golf Warehouse, and The Sportsman's Guide. Redcats is owned by PPR Group.

THE CHALLENGE

A key part of Redcats's strategy has been to cater to a broad range of consumer age categories and to design targeted offerings that anticipate customer needs. Each department in the company had historically used SAS Base to analyze their own customer data. In 2001 Redcats had purchased some SPSS licenses to analyze a shared database with a subset of the data, but they were rarely used.

Redcats recognized that it was generating a growing volume of customer data from multiple data sources, including customer service and satisfaction surveys from 26 million active customers, data on 180 million transactions, and the clickstream activity of 54

million monthly visitors to its 70 merchant Web sites. Redcats decided to invest in an Oracle Exadata Machine to bring all of its data into one shared database, and then considered what analytics tools would be most effective for its big data-focused client marketing strategy.

**Cost : Benefit
Ratio | 1 : 3.5**

THE STRATEGY

Although many users preferred SAS Base because they had always used it, those who had experience with SPSS felt it would be a more effective tool for four main reasons:

- SPSS would support faster analysis of the new database.
- SPSS was easier to learn and use for non-experts and would enable Redcats to rapidly onboard interns and new employees so they could execute effective marketing campaigns.
- SPSS was less expensive to purchase than SAS Base and would cost less each year in maintenance costs.
- SPSS had a fraction of the support overhead required by SAS, so Redcats would be able to re-devote those IT resources to other projects.

The installation of SPSS was relatively straightforward and was accomplished in Redcats France in three days; migration of the needed existing scripts from SAS to SPSS was completed in a few weeks. With the help of IBM SPSS training documentation, Redcats's statisticians developed and conducted two days of training classes on data management, and one day of training for modeling for the business users. Today there are 53 business analysts and statisticians using SPSS to analyze data across the Oracle Exadata database. Marketers can access the shared database to analyze, plan, and execute marketing campaigns that are executed through different channels via other integrated tools, including IBM SPSS partner Neolane's campaign management application.

Redcats plans to use its initial success with SPSS as a model for a common analytical architecture across the company's other regional offices and divisions.

KEY BENEFIT AREAS

Moving to big data and a shared data architecture has enabled the company's individual marketing departments to leverage its multiple brands and customers with a more coherent, proactive marketing strategy. Adopting SPSS as a common tool for all marketing analyses has also enabled better collaboration and sharing of best practices between departments, and given Redcats greater flexibility because marketing resources can be shared within departments as needed without a significant learning curve.

Types of Benefits

Direct 31%



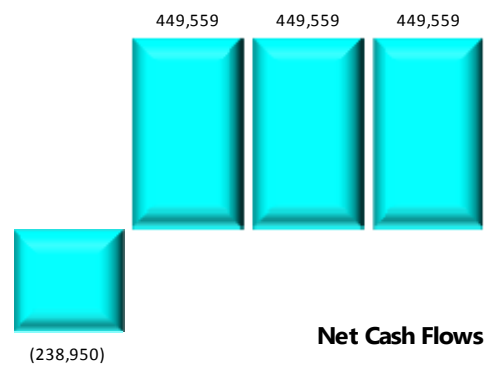
69% Indirect

Key benefits of the migration from SAS to SPSS include:

- Reduced technology costs. Because SPSS licenses could be licensed and maintained at a significantly lower cost than SAS licenses, Redcats was able to expand its use of analytics to a broader set of users while reducing its annual technology spend. It was also able to save IT resources because, while SPSS can support a similar level of complexity as SAS, it requires far less IT support.
- Increased visibility. A common tool for modeling and sharing data and the ability for different groups to share data and models easily have increased the visibility and collaboration between marketing groups.
- Better human resources management. Because SPSS is easier to learn and adopt than SAS, Redcats can more quickly recruit and train new users to run effective marketing analyses and transfer qualified marketers to different groups as needed with limited work disruption.

KEY COST AREAS

Key cost areas for the project included software, consulting, personnel, and training. No additional hardware investment was needed for the project. Minimal consulting was funded to support the migration of scripts from SAS to SPSS.



BEST PRACTICES

Big data has significant potential for enterprises seeking to make more rapid decisions and analyze large sets of data for areas such as marketing. The availability of real-time data and accelerated processing is, however, only part of the picture: Redcats also needed to ensure that users would be able to rapidly understand and take advantage of the

analytical tools to deliver and execute on their analyses. Moving to a more user friendly tool both shortens the learning curve for new users and supports better collaboration between groups because they can share knowledge, models, and best practices.

Often IBM Smarter Commerce projects are end-to-end IBM products, but customers can also select best-of-breed products from the IBM portfolio, such as SPSS, and use them in conjunction with their other technology investments to deliver value. In this case, SPSS and partner Neolane were used to leverage Redcats's investment in an Oracle Exadata Machine to drive greater customer engagement and interaction.

CALCULATING THE ROI

Nucleus quantified the initial and ongoing costs of software, consulting, personnel, and training to calculate Redcats's total investment in SPSS. Direct benefits quantified included elimination of annual license fees and the fully loaded cost of SAS support staff that could be redeployed as a result of the project.

Not quantified were the greater benefits Redcats will achieve as it leverages SPSS to take advantage of its new database machine. Faster analytical processing and faster decision making will enable Redcats, over time, to more quickly execute on marketing campaigns that enable it to increase both new customer acquisitions and upselling and cross-selling opportunities.

FINANCIAL ANALYSIS

IBM SPSS

Annual ROI: 112%

Payback period: 0.9 years

ANNUAL BENEFITS	Pre-start	Year 1	Year 2	Year 3
Direct	0	159,759	159,759	159,759
Indirect	0	360,000	360,000	360,000
Total per period	0	519,759	519,759	519,759

CAPITALIZED ASSETS	Pre-start	Year 1	Year 2	Year 3
Software	198,000	0	0	0
Hardware	0	0	0	0
Project consulting and personnel	0	0	0	0
Total per period	198,000	0	0	0

DEPRECIATION SCHEDULE	Pre-start	Year 1	Year 2	Year 3
Software	0	39,600	39,600	39,600
Hardware	0	0	0	0
Project consulting and personnel	0	0	0	0
Total per period	0	39,600	39,600	39,600

EXPENSED COSTS	Pre-start	Year 1	Year 2	Year 3
Software	0	39,600	39,600	39,600
Hardware	0	0	0	0
Consulting	18,000	0	0	0
Personnel	450	30,600	30,600	30,600
Training	22,500	0	0	0
Other	0	0	0	0
Total per period	40,950	70,200	70,200	70,200

FINANCIAL ANALYSIS	Results	Year 1	Year 2	Year 3
Net cash flow before taxes	(238,950)	449,559	449,559	449,559
Net cash flow after taxes	(218,475)	244,580	244,580	244,580
Annual ROI - direct and indirect benefits				112%
Annual ROI - direct benefits only				30%
Net Present Value (NPV)				411,830
Payback period				0.9 years
Average Annual Cost of Ownership				149,850
3-Year IRR				97%

FINANCIAL ASSUMPTIONS

All government taxes	50%
Cost of capital	8.0%

