Chapter 5 Foundations of Business Intelligence

Case 2: Data Warehousing at REI: Understanding the Customer

Tags: integrating data from all customer contact points; understanding customer interests; corporate strategy; Web marketing; IBM DB2; data warehousing; retail

Summary: REI uses IBM data warehousing technology to achieve its vision of understanding what its customers want, and how they want to interact with the company. L= 4:39.

URL:http://www.youtube.com/watch?v=fUSEtLlwzNg

Case

REI (Recreational Equipment Inc.) is an American consumers' cooperative that sells outdoor recreation gear and sporting goods via the Internet, catalogs, and over 90 stores in 27 states. It opens six to eight new stores each year. REI's sales exceeded $1.4 billion in 2008. Its major competitors in the U.S. include many other sporting goods retailers. REI is the largest consumer co-op in the U.S.

A consumer's cooperative is a business owned by its customers for their mutual benefit. The goal of a co-op is to sell quality goods and services at the lowest cost to its consumers, as opposed to the traditional model of selling goods and services at the highest cost that consumers are willing to pay. However, a co-op is no different from traditional firms in the following regard: databases and information management still play key roles in efficiency and strong customer service and are critical to the company's bottom line.

There is a one-time fee of $20 for lifetime membership to REI. The company normally pays an annual dividend check to its members equal to 10% of what they spent at REI on regular-priced merchandise in the prior year, although this is not guaranteed. The refund, which expires on December 31 two years from the date of issue, can be used as credit for further purchases or taken as cash or check between July 1 and December 31 of the year that the dividend is valid.

In order to better understand its three million active co-op members and customers, REI launched an initiative to build a data warehouse containing many different types of information about its customers. To better serve its customers, REI needs to know precisely what they do in the outdoors. With the help of IBM, REI hopes its data warehouse will allow them to identify and organize all of the ways that each customer interacts with the company, including what they bought online or retail outlets, whether they attended special training sessions for equipment and outdoor activities, or items they returned.

REI also deployed IBM's DB2 9 Viper technology to run REI's marketing campaigns. REI's site will recognize its members when they log in, allowing them to serve up content customized towards individual users

Case Study Questions

1. What is a data warehouse and why is REI building one?

2. What are some of the disadvantages of consumer cooperatives compared to 'traditional' firms?

3. Describe some of the marketing strategies that REI's data warehouse will allow them to use. Would these have been possible before the data warehouse was built?

4. What are some of the risks or concerns surrounding the creation of a data warehouse?

5. Why do you think REI chose to work with IBM's data warehouse technology?