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Sam's Club Personalizes Discounts for Buyers

By ANDREW MARTIN
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SECAUCUS, N.J. — For years, hotels, airlines, banks, online retailers and other data-driven businesses have turned to powerful computers to help determine the optimal price for their products, or to find ways to recommend items that groups of customers with similar tastes might want to buy.

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Fred R. Conrad/The New York Times
Brad Bogan at a kiosk at a Sam's Club in Secaucus, N.J., that shows discounts based on his shopping history. "It's basically my own grocery list," one shopper said.

The big retail chains have been slower to adapt, in part because of the sheer volume of customers they serve and products they sell.

But now, Sam's Club, [Wal-Mart's](#) warehouse chain, is offering a program called eValues that strives to offer bargains tailored to each member, based on that member's buying history.

Industry experts said they expected other retailers to move toward more individualized offers, too. Today, most retailers offer across-the-board discounts or deals aimed at categories of customers.

"This is really the holy grail in a sense, pricing to the individual," said Willard Bishop, a retail consultant in suburban Chicago who focuses primarily on supermarkets. "Everyone is on the path to doing what you are talking about."

On a recent evening, for instance, Angela Otero stopped by the Sam's Club in Secaucus and printed out four pages of eValues offers at a bright green kiosk near the front door, including \$50 off a plasma television, \$3 off a 30-pack of toilet paper and \$2.50 off a box of meatless burgers.

Ms. Otero said she had used eValues since it started in August and found that the discounts covered "the majority of things I want."

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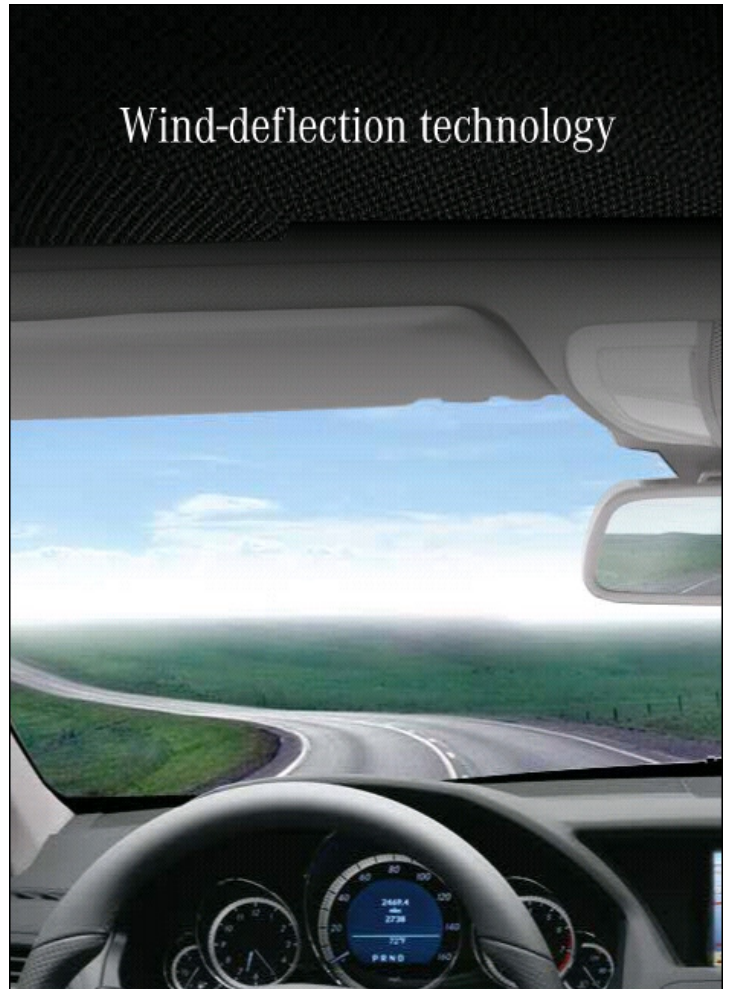
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Michelle V. Agins/The New York Times
Ricardo Mayoral of Union City, N.J., has used the customized eValue coupons at Sam's in Secaucus since the program began.



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"The detergents, TV dinners once in a while," she said, scanning through her printout of deals. "There's a dollar off Bounce. I use that all the time."

"It's basically my own grocery list," she said.

Linda Vytlačil, vice president for member insights and innovation at Sam's Club, said coupons normally had a response rate of 1 percent or 2 percent. With eValues, she said, as many as 20 percent to 30 percent of eligible customers collect the discount they are offered.

The program is available only to Sam's Club's "Plus" members, who pay a higher yearly membership fee than do regular members. They can view the deals by e-mail, on the Sam's Club Web site or at store kiosks.

"There's no clipping coupons," Ms. Vytlačil said, adding that eValues offered "highly individual relevant offers specific to each Plus member. All they have to do is purchase the product, and the savings are automatically applied at checkout." Like other membership clubs, shoppers must present a card at checkout.

The eValues program is the latest iteration in the fast-growing field known as predictive analytics, which uses vast amounts of data to spot trends and anticipate consumer behavior.

Two of the best-known users of applications of predictive analytics are baseball executives, who scour statistics to find overlooked superstars, and the online DVD rental service [Netflix](#), which suggests movies its customers might like.

The dating service eHarmony also uses the practice to match potential mates, and [eLoyalty](#), which sells customer service technology, uses algorithms to analyze customer calls to make them more effective and efficient.

For instance, based on a day's worth of calls, eLoyalty can predict which customers are likely to cancel their accounts. Using that information, a company can then call back those customers to try to save their business and can use the initial call to train its employees to do better.

"The goal is to have customer service reps speak to the customer in the way they want to be spoken to," said Jason Wesbecher, eLoyalty's vice president for sales and marketing. "We are trying to rescue customers trapped in service hell."

Of course, retailers have long tried to decode consumer behavior, through surveys or test panels, or by using crude forms of data analysis. During the last decade or so, many retailers have amassed huge amounts of data through loyalty programs or membership cards, like those provided by Sam's Club and its rival, Costco.

But retailers have generally done little with the information, other than using the cards as a branding opportunity or to offer broad discounts.

"You've got hundreds and hundreds of loyalty programs out there, and I would argue that only a handful leverage it like they should," said Stuart Aitken, chief executive of Dunnhumby USA, which is considered a pioneer in providing analytics to retail stores like Kroger.

Some retailers, however, have used the data to figure out the right product mix and layout for their stores, or to offer discounts to categories of customers. Sam's Club officials say they are among the first to offer individualized discounts on such a large scale, an assertion supported by several industry experts. [CVS](#) Caremark and Kroger are two other retailers that offer individualized discounts.

Melissa Studzinski, director for relationship marketing at CVS, said the analytics used in the stores' ExtraCare loyalty program was a "stealth way to drive business" that competitors cannot necessarily see. "We've credited ExtraCare as one of the linchpins of our sale results," she said.

Among the advantages, tailoring offers to individual customers makes marketing budgets far more efficient. It also keeps customers happy.

"If you get more relevant to shoppers, you get more loyalty, you get more business," said Dave Carlson, chief executive of Relevance Partners, which provides software to retailers to glean consumer insight from shopping data.

A major challenge in creating eValues was the scale involved: the permutations of customer, product, location and discount exceeded one trillion possibilities for Plus members alone, officials said.

Working with FICO, the company best known for providing [credit scores](#), Sam's Club has improved its ability to predict what each customer will buy and the time frame in which that purchase will occur.

For any product discount, Sam's Club can vary the message and price in the communication received by the customer, said Andrew N. Jennings, FICO's chief research officer. Aside from the cost savings, tailored messages to consumers can also highlight specific product attributes that a particular consumer typically seeks, like "organic" or "environmentally friendly," he said.

The messages are aimed at encouraging repeat buys or enticing a first-time purchase, while avoiding conflicting promotions, Mr. Jennings said.

Some privacy advocates worry that customers are becoming too willing to allow corporations to gather and exploit their shopping histories. Most users of the data, Sam's Club included, insist they have rigorous protocols to protect customer privacy.

And for all of its sophistication, there is no guarantee that eValues will be a hit. Most shoppers observed during several recent visits to the Secaucus store went about their shopping seemingly oblivious to the eValues kiosk.

In several instances, shoppers stopped to use the kiosk, but a scanner failed to read the bar code on their cards, forcing employees to manually type in their membership numbers.

Still, some shoppers said they were impressed by the deals they were receiving using eValues. Ricardo Mayoral printed out four pages of deals at the kiosk, including discounts on orange juice, ice cream sandwiches, televisions and chicken breasts.

"I got like \$2 off the bananas, a \$1 off the Toasted," he said, referring to a package of crackers in his cart. Mr. Mayoral, 36, said the best eValues deal yet was \$300 off a \$1,200 television.

"I remember that day," he said later. "I came to buy food, and I bought two TVs."

Brad Bogan, 44, who works near the Secaucus store, said he signed up for a Plus membership during a recent promotion and had more than covered his costs with eValues savings. (Plus members pay \$100 a year; regular members pay \$40.)

Even so, convenience sometimes trumps value. Mr. Bogan is not renewing his Plus membership because his office is moving farther away from the Secaucus store and there is not a Sam's Club near his home.


"We use BJ's more than we do Sam's," he said, referring to [BJ's Wholesale Club](#). "There's a BJ's right down the street."

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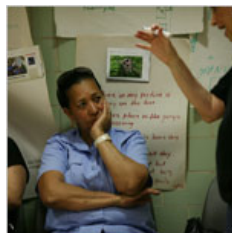
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