

January 2010

Why dunnhumby's Bold Move To Purchase KSS Retail Makes a Difference to Retailers and Consumers

by Kevin Sternecker

Leading global consumer marketing consultant **dunnhumby** announced its purchase of **KSS Retail**, a full lifecycle price optimization application provider. This news came as no surprise to AMR Research. Their partnership, which was announced last year, gave both companies an opportunity to peel back the layers of insight and value each provides.

Nothing changes for KSS or dunnhumby customers now or in the near term. However, the future of this acquisition provides exciting opportunities for many. With a prestigious client list including **Kroger**, **Tesco**, and **Casino**, many consider dunnhumby the gurus of consumer loyalty and segmentation marketing. However, the company's present model remains available to only select firms willing to enter into exclusive and large consultative agreements.

There's fantastic potential in the combination of dunnhumby's thought-leading, consumer marketing techniques and the proven demand-sensing and demand-shaping capabilities of software provided by KSS Retail. If key capabilities pioneered by dunnhumby can make their way into software, more companies will gain access to a new level of proven skills that can deliver increased consumer traffic and consumption.

Our global research clearly reflects a retailer community diligently seeking technology that offers improved merchandising decisions for and by the consumer. In an exclusive conversation with Lance Jacobs, CEO of KSS Retail, we gained an appreciation for the intense scrutiny of dunnhumby's acquisition process. "This is dunnhumby's first acquisition, and [it was] committed

to do it right. [Its] due diligence process was incredibly comprehensive as it relates to our software, science, people, and practices. We believe this is tremendous validation that our customers made a wise choice in selecting KSS Retail."

Mr. Jacobs continued by expressing his assurance that "current customers will continue to experience the same quality of service to which they're accustomed. The KSS Retail team remains completely intact and will continue as a distinct operating division of dunnhumby." Finally, Mr. Jacobs added, "The road ahead is filled with opportunities, and we are very excited about bringing new capabilities to our customers over time."

There's a limited number of software delivering a complete set of consumer demand-shaping and demand-sensing capabilities for the retail merchant. If dunnhumby and KSS succeed, there will be an entirely new level of choice for retailers and their merchants. We see this acquisition as market disrupting and will likely cause many software providers angst as they assess the potential strength this transaction represents. The customer will win in the end, as retailers continue to increase their ability to sense and shape consumer demand.