

# How Trial and Error Led To a Billion-Dollar Business

Mike Berry leads a four-part CRM technology team at Shutterfly to keep customers coming back again and again

By Stephanie S. Beecher

**It's hard to go anywhere today** without seeing someone pull out their digital camera or smartphone to snap a photo. The days of families gathering up their film rolls and heading to the local drugstore to have their pictures developed, however, are long gone.

People upload more than 1.8 billion photos to the Internet each day—roughly 1.25 million pictures per minute—where they often land on popular social sites, such as Facebook, Twitter, and Instagram. Unfortunately, that's also often where they stay.

When digital cameras hit the scene in the mid-1990s, the technology made it faster, easier, and cheaper than ever before to capture all of life's moments. But it also posed an intangible impasse—namely, how to get all of those digital images back into the family photo album. Shutterfly, Inc. wants to provide the solution.

Founded in 1999, the Redwood City, California-based company originally launched as a service to print photos, eliminating the deluge of flash drives and CD-ROMs holding people's cherished memories. Today, the web company is the go-to source for millions of customers who use the site for its complimentary cloud storage (currently storing around seventy petabytes of photos), and to purchase a myriad of printed personalized photo products. Shutterfly also owns four printing facilities,

including a 300,000-square-foot variable printing press, the largest in the world.

As Shutterfly's director of CRM Technology, Mike Berry has customer retention down to a science. His team not only culls data to nail down customer segments and examine their purchases, but also uses the information to gather insights into what products they might be most interested in in the future, what promotions they're most likely to buy into, and even what time of day customers are most likely to open an email.

But leveraging this data wasn't always so seamless. In fact, when Berry came on board at Shutterfly in 2011, he says its CRM technology evoked processes more reminiscent of those seen in the early aughts. "There were two guys who pulled email lists out of the database using handwritten code and then manually launched emails, then one guy who would run analysis on the performance of the email," Berry explains. "There was no long-term thought. It was very basic."

Shutterfly was ready to change that. Its goal was to implement new technologies that would turn the company into a billion-dollar business. For this, they handed Berry the baton.

In the first six months, Berry pitched a plan to completely transform the existing operational structure by incorporating a new marketing database and campaign-management solutions. "We needed something that would store customer and campaign data in a fashion [where] it could be easily accessed and reported on, or used for customer targeting in future campaigns," he says. "Once we had a holding tank for the data, we needed a tool that was easy to use and could scale for complex campaigns."

Berry turned to Pinpoint Systems Corporation and IBM Campaign to drive the project forward. The tools changed the game, he says.

"We went from sending emails that went to three different segments—about two to three emails a week—to over 100 emails sent out to over 100 different segments," Berry says. "The volume basically tripled between the time I walked in the door and now."

Berry's team grew from just three people to sixteen and is now split into four separate divisions: CRM automation, CRM analytics, CRM platform, and CRM business intelligence.

"Their scopes range from analyses of billions of records of data over a year or more of activity, to simply understanding why people did or did not buy in the past week," Berry says. "Anything that improves the experience of our customers."

The CRM automation group is responsible for developing segmentation for email campaigns and other marketing channels, including direct mail, social media, and on-site targeting. Then it's up to the CRM analytics team to analyze the customer database to gain insight



**Mike Berry**  
Shutterfly, Inc.  
Senior Director of  
CRM Technology

into what customers are interested in, or how they responded to marketing efforts, to help shape the next campaign.

The CRM platform team creates proprietary software programs in-house to track and manage workload and campaign requests, and the business intelligence team is charged with gleaning the information to create and deliver interactive reports to marketing communications. It's Berry's job to ensure that all of the teams are working in tandem, on time, and on brand.

Before the holidays, for example, Shutterfly sends out holiday-card offers using photos a person has used in a previous transaction. The emails allow customers to "visualize" a future purchase, as well as feel a sense of urgency to take advantage of the deal on the table. This season, the CRM technology team combined those tactics with email open times data from Experian. That's where the science comes in.

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Pinpoint congratulates Mike Berry on realizing the promise of smarter marketing at Shutterfly. We are proud to be a key part of Shutterfly's success.



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“We form a hypothesis with a specific list and, say, we predict a 10 percent open rate,” explains Berry. “What we would do is send the email about an hour before the preferred time for the email. And we saw above the 10 percent that we predicted.”

The team also tests various email subject lines, email copy, and different product offers (say, 25 percent off versus \$25 off an order). Then, they wait to see which segment of customers responds to which emails best.

“We’ll look at everything we can get our hands on: bounce rates, open rates, clicks, conversions, how much money is spent, etcetera,” Berry says. “Then it gets even more detailed: Did they upload any photos? Download our app for the iPhone? How much time did they spend on the page?”

It’s a lot of testing and learning, much like Berry’s trajectory into the tech world. After college, he went to law school and dropped out, then worked for a time in the magazine industry. He later cofounded a website development company, but its unsustainable business model resulted in bankruptcy. At various other points, Berry worked for an ad agency, other tech firms, and was unemployed.

When he witnessed the dot-com crash, Berry saw an opportunity to expand his skills in database marketing, a decision that led him to Apple, eBay, PayPal, and eventually, Shutterfly. Receiving his MBA provided a launchpad to his leadership philosophy, he says.

“I think it’s important for everyone, especially young people, to know that they are probably going to fail at some point,” Berry says. “But you really only fail if you learn nothing from your experiences. I learned what it meant to be hungry and developed the intense desire to work, to prove myself. I learned to find positives when they were hard to find. I learned how to lead.”

Berry encourages his team to challenge the status quo and to embrace the constant change that comes with technological innovation. Discovering new ways to perform better, he believes, is the best part of his job.

“My team is as close to the industry as you can get, so if they come up with an idea, we work to figure out if we can implement it,” Berry says. “The only way you are going to flawlessly send out a hundred different emails to tens of millions of people in a week—and know what worked and what didn’t—is by using technology. I spend at least an hour a week thinking about what could be.” ●