

RETAIL'S LOVE-HATE RELATIONSHIP WITH DATA

5 Steps For Retailers To
Turn Big Data Into Better
Decisions



prevedere

HAVE YOU ATTENDED THIS MEETING?

How will the economy affect my most important shopper segments in 2017?

Employment is up so our sales should be up...right?

Why aren't we selling more in the South while the Northwest sales are accelerating?

Will this year be a strong year for private label sales?

Northeast sales are down last quarter...was weather really the reason?



WHY RETAILERS LOVE TO HATE DATA

The benefits of using data and analytics to drive strategic business decisions are well documented. However, companies, especially retailers, often jump on the “Big Data” bandwagon without fully evaluating their overall strategy, such as determining what data they plan to collect, how they will evaluate it, and how they will act on the results. Not surprisingly, retailers love to hate data for the following four reasons.



Deluge of Data

The volume of data that a retailer can use in analysis can be overwhelming. From e-commerce analytics to NPS, retailers often have difficulty determining what data can provide the best insights.



Ignoring the External

Many retailers do not utilize macroeconomic and consumer behavior leading indicators. While much of this is publicly available, integrating external data into traditional analysis methods can be time-consuming.



Business as Usual

Even with the right data, many existing analytics solutions use algorithms that are decades old. They cannot accurately account for the rapidly changing economy or shifts in consumer behavior.



Skeptical Executives

A study by Forrester showed that 84% of retail executives do not trust insights from their own analytics team because they do not fully agree with their company's overall data strategy.

The good news?

Smart retailers are making technological investments that help them analyze the right data and gain insights quickly to show fast ROI. They can leverage external leading indicators to foresee headwinds and plan accurately for the future. Consumer sentiment and POS data from sources like Nielsen can be used by brick-and-mortar and online retailers to understand the specific actions people take in stores and adapt the shopping experience accordingly.

-  AI-based analytics
-  Real-time, unbiased insights
-  Back-tested predictive models
-  Cloud solutions that can scale

FIVE STEPS FOR RETAILERS TO TURN BIG DATA INTO BETTER DECISIONS

1. Begin with the end
2. Keep it simple
3. Gain buy-in from decision makers
4. Don't ignore external factors
5. Seek solutions for the quick win

STEP 1

Begin with the end

When starting a data project, begin with the end in mind. **What decisions are most important to your C-Suite?** For retailers, the following are the most common areas that keep your CEO up at night.

Investor Relations

Provide specific talking points to investors as to why business performance has been up/down in recent quarters.

Geographic Differences

Understand the key external drivers for the retailer's major markets with an unbiased baseline forecast by region.

Marketing Spend

Use a fact-based approach to optimize regional marketing spend based on unbiased trends in those markets.

Banners

Understand the economic drivers of banner by geography to improve top-down forecasting.

Customer Segments

Understand the economic headwinds/tailwinds for the retailer's most important shopper segments.

Private Label

Economic changes can cause consumers to make tradeoffs in quality and price that can predict private label sales.

Foot Traffic

Improve accuracy when predicting foot traffic so that promoting impulse items can drive higher ROI.

Real Estate

Use external leading indicators to better understand which markets can support additional stores.

STEP 2

Keep it simple

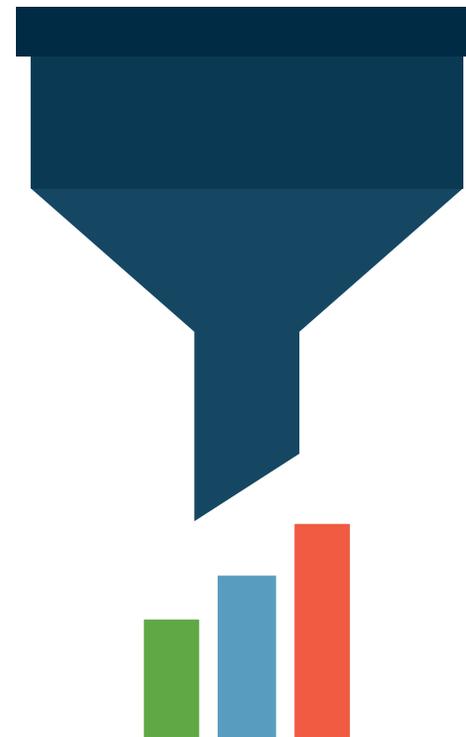
Many retailers often fall into the trap of “analysis paralysis” due to the vast amounts of data they have and the seemingly endless number of questions to answer. The key here is to gain quick wins. Focus on easily accessible insights that can be understood across the entire company, regardless of function, level, or business unit.

Starting at the top will allow your team to gain insights that could prioritize further research, thus establishing an effective project plan with company-wide buy-in.

When determining where to start, consider selecting one or two of the following:

- **Top line metrics**
- **Your highest volume categories**
- **KPI's with the best historical data**
- **Your largest operational region**
- **Your most important customer segments**

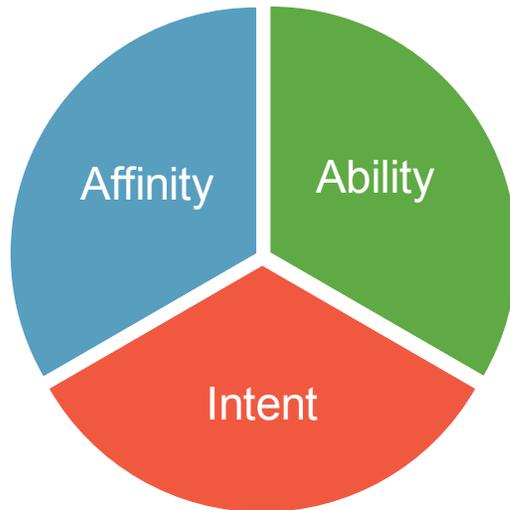
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STEP 3

Don't ignore external factors

Shopping behavior may appear to ever-changing or even irrational. However, consumers can behave in very predictable ways because they are influenced by three major factors: **Affinity** (how much they like your products and shopping experience), **Ability** (how much they can afford to buy), and **Intent** (how happy they feel about spending more). Understanding the interaction of these three factors can accurately explain not just current consumer behavior, but also future consumer demand.



TOP RETAIL INDICATORS TO WATCH

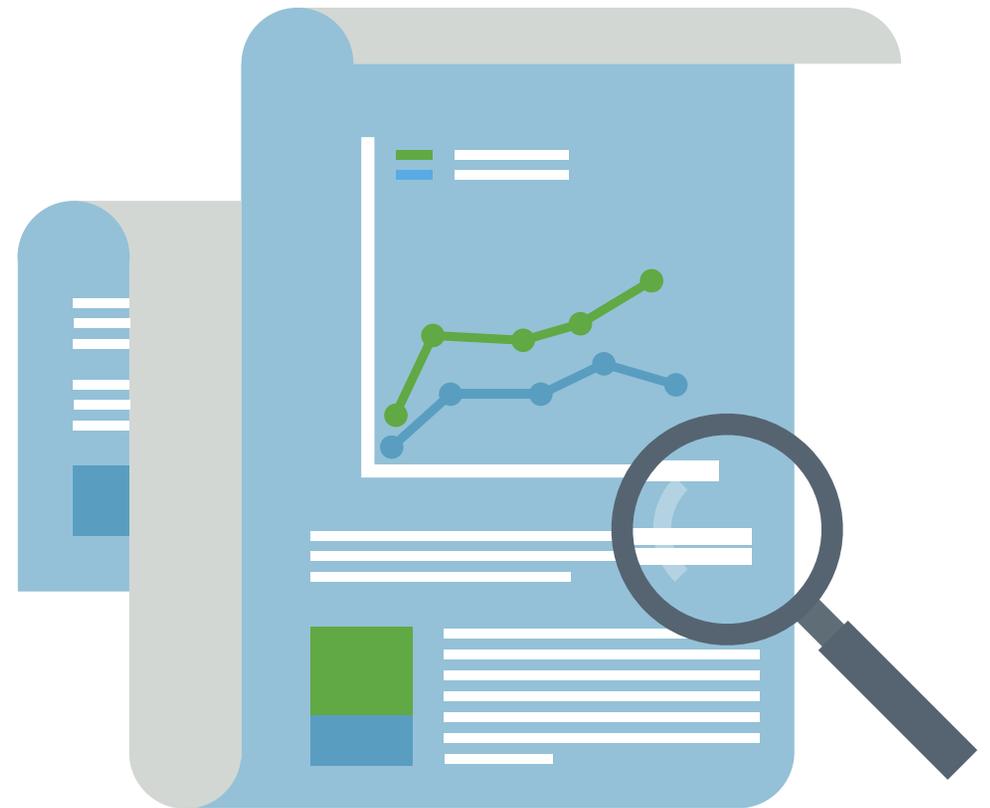
- Real Average Hourly Earnings
- Architectural Billings Index
- Consumer Sentiment
- Avg Weekly Hours: Retail
- Personal Savings Rate
- S&P 500
- Institute for Supply Management
New Orders Index
- SPDR S&P Retail ETF
- S&P Case-Shiller 10-City Home Price
Sales Pair Counts

STEP 4

Seek solutions for the quick win

According to a survey conducted by Forbes, **at least 79% of a typical data project schedule is spent on gathering, validating, and cleaning data.** This leads to rushed analysis and questionable insights. Any actions taken from such insights are performed in isolation, as a pilot, under-funded, or not strongly supported by management.

By identifying areas of strengths and weaknesses in your data organization, and by working with the right analytics partners to assist in those areas, you can gain ample time to educate business leaders on the methodology used, gain consensus on the findings, develop a plan, and then take action with the right leaders' support. This strategy often results in quick wins that have material impact on the business.



STEP 5

Share insights continuously

When you start the process to turn big data into better decisions, be sure to keep key stakeholders in the loop. Change of any kind can be difficult to implement, so set up regularly scheduled meetings with a standard agenda. Ensure your audience is focused on the three areas discussed in Step 1 and the high level metrics discussed in Step 2. Use the time to engage your team, answer questions, and remove impediments. Create an open atmosphere for communication and knowledge sharing.

As you discover new insights from your analyses, be sure to share those that affect decisions, not just “nice to know” facts. **Insights that lead to action will be considered far more valuable.**

Finally, when those data-driven actions are taken that lead to improved results are the outcome, be sure to evangelize this amongst senior leadership!

CASE STUDY

A large convenience store chain located in Southeast United States **added nearly \$6M to its bottom line** by using highly accurate models to predict guest count by store. On average, each store sees **40,000 visits per month**. Prevedere was able to forecast guest counts to within 98% accuracy.

- Most external factors that impact business within each region were determined
- Economic data like existing and new construction home starts were used
- Sales forecast benchmarks were enabled across the entire company

A leader in business performance forecasting solutions, Prevedere is a predictive analytics company that is changing the way businesses predict and prepare for future demand. With external factors such as energy prices, consumer spending and currency changes often at the root of missed forecasts, Prevedere empowers enterprises to easily integrate these influences into their existing forecasting processes.

To learn more, visit prevedere.com.

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