Retail Analytics Technology Advancements

The retail landscape is changing rapidly and for the better! Advanced digital technologies, new selling channels, and increasingly demanding consumers all challenge retailers to find new ways of remaining relevant and competitive. Although the brick and mortar store will continue to play a central role in the retail experience, the upper hand will belong to retailers that can blend their online and in-store experiences - making it simpler for customers to find what they want and sellers to close their deals. In fact physical and virtual stores act as extensions of each other, this is referred to as "multi channel". It does not matter where or how the customer initiates the purchase, the same prices, promotions and benefits should always apply.

Increasingly the consumer purchasing trend is gravitating towards online experiences and is mainly driven by tablets, smartphones and other mobile devices. These mobile gadgets are quickly replacing the home computer as the go-to shopping tools. This trend will continue as more consumers are empowered to use their phones and tablets to shop anytime and anywhere.

The purchasing decision journey for consumers involves multiple steps, many of which are now being captured and transformed into metrics and data. As this data becomes an implied derivative of essential retail and consumer technologies, the focus is shifting from how to acquire the data to how to extract insights from it—insights that can be turned into differentiation and competitive advantage for the retailer and a better shopper experience for the consumer.

In this paper we will discuss metrics that are used for traditional retail and e-commerce. We will focus on

- Metrics to make fact-based decisions: Understanding the need for analytics solutions and business decisions backed by data driven metrics
- Critical KPIs for Success: Why you must have KPIs from various retail areas for retailers both big and small

Granted, it's not easy to manually pull together these metrics to reveal important insights into a company's performance—and one may not even know what to look for. Even if you do know what data might be helpful, the information is likely scattered among several systems and apps that don't talk to each other. We will discuss the need for the analytics strategy to solve some of these business problems. We will also discuss the need for an analytics solution to consolidate data from several disparate systems to give insights into key business metrics and also forecast trends.

Analytics for Retail and e-Commerce

The retail industry today is faced with tight margins and intense pressure from competitors and is heading steadily to being a multi-channel retail world. Regardless of the customer channel with which they were founded, retailers have little choice but to connect with their customers through every possible channel, including online, call centers, mobile, email, direct mail, and physical stores.

Whether in the company headquarters, in warehousing, or in retail branches, the correct IT solution in supply logistics, merchandise management and marketing is critical to business success. Firms that want to prosper in multi-channel environments or traditional retail need to collect and store data from different segments of the business. As a result, retail executives are under a lot of pressure to ensure secure access to information and to efficiently manage resources, while minimizing costs. The retail industry needs to have a broad analytics strategy for analytics solutions which are driven by key metrics that can highlight business pain-points, provide flexibility, conserve resources and simplify processes - while providing a competitive edge.

Making fact based decisions and forecasting trend

Defining a far-reaching analytics strategy seems like an enormous undertaking and it starts with the basics: having a good vision of the endgame. Each retailer needs to answer the question, "What does it take to win?" in the context of their specific company, market, promotion, category, department, or process. It sounds easy, but it often is not. Part of designing a data strategy is defining the decisions that need to be made and mapping the right data to inform them. Once the data requirements are defined, the analytics sources can be selected to implement an analytics solution.

Once again, we must emphasize that it is important to understand that analytics solutions alone do not fix problems. An analytics solution can help the organization pinpoint problems in its operations and help make better decisions; it can also highlight the areas where the organization performs well.

As discussed in the previous section, having an analytics solution in place does not automatically guarantee that everyone will use it. There is a variety of ways to enforce users to adopt analytics solutions in their daily operations. One way to make sure everyone is on board is to tie their goals to BI maturity of the organization. Make reviewing metrics a natural part of management activities.

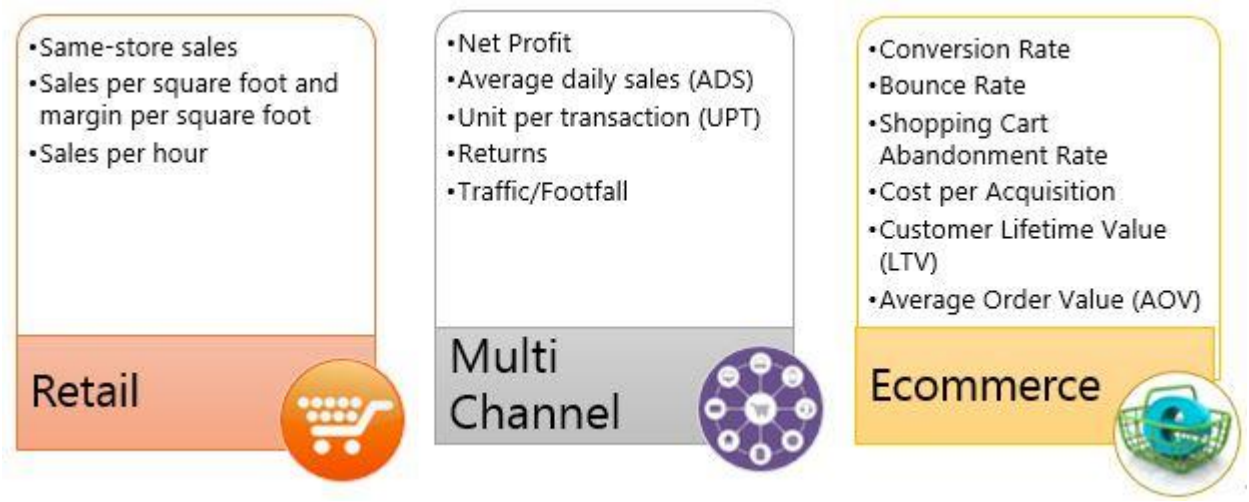
Analytics solutions allow the organization not only to look at the current state of things, but also look into the future, predicting the outcome of strategic changes. Running the business becomes more of a science with the following steps:

- Gather information about your organization
- Use Analytics solution to expose that information to decision makers
  - Identify problem areas and make changes to improve
  - Maintain areas that contribute to good results
- See how the changes you make may affect the institutional KPIs in the future

Critical Metrics That Must be Monitored

Successful BI implementations begin with an understanding of the performance goals for the organization. In order to monitor performance against those goals, a clear set of Key Performance Indicators (KPIs) that measure various aspects of performance must be identified. Having KPIs that measure your organization's performance is the first step.

Retailers should focus on metrics that reflect and impact the customer journey. Such analytics are essential for creating differentiation, as they provide insights into how and why shoppers make the decisions they make along their path to purchase. Many of these metrics and insights are used by retailers across their entire store population to measure a key performance element that, either on its own or in combination with other metrics, quantifiably improves their ability to manage the business.



Let's discuss one of the critical metrics for multi-channel retail - shopping cart abandonment rate. According to various studies, the average online shopping cart abandonment rate is approx. 68%. Imagine that for every 10 people that intend to buy, only 3 are actually completing a purchase. You don't need to be a math major to understand money is being left on the table. It is important to understand the difference between brick-and-mortar and online shopping experiences is there are a ride array of distractions online that could impede the online process. As a result, the abandonment carts rate has a big impact on sales volume. In order to combat shopping cart abandonment, it's important to analyze various underlying metrics surrounding the shopping experience from the moment a shopper adds a product to their cart through purchase completion. Based on the metrics retailers can tailor an effective post-abandonment marketing tactics (one time coupon code, email reminder, free shipping etc.) to eventually gain the conversion.

Analyzing a single metric or KPI can definitely provide valuable insight, but there are scenarios where linking KPIs from different operational area can add more value. For example, measuring foot-fall into each store provides interesting information on store activity trends, peak periods, and some top-level impact assessment of variables such as weather, holidays, and promotional events. The real value, however, is in combining operational data such as workforce management information with these insights in order to lower the cost of labor or improve return on labor investments. Doing this in every store, every day can contribute to significant bottom line savings and top line revenue growth. Ultimately, these insights help leaders make large-scale decisions across the company that can add up to millions of dollars.

Want to Run a Successful store? Monitor these Metrics!

The overall trends are clear: retail is a data-intensive industry, and taking advantage of all that data to operate and manage the business better requires analytics. The good news—and the bad—for retail analytics is that most retailers have only scratched the surface of what is possible. Retailers who seek competitive advantage from retail analytics must take an enterprise-wide perspective on them. Retail analytics historically are embedded in a set of organizational silos. But the only way to make a difference is to have an analytics strategy that can enable executive to do analytics by cross-functional, cross-product, cross-customer approach. The core of the analytics strategy is to track the various key metrics we discussed above, so that executive can rely on these metrics to make fact driven decisions and forecast business trends.

For more information about our Advanced Retail Analytics Solutions please contact info@dunnsolutions.com.