

**BI AND ANALYTICS
TECH GUIDE:**

WHAT RETAILERS NEED
TO KEEP UP WITH
SHOPPER BEHAVIOR
IN A POST-COVID WORLD

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INTRODUCTION

Last year, common retail wisdom was turned on its head as the COVID-19 pandemic spurred huge shifts in consumer behavior — not just in the kinds of products people were buying, but also which retailers, and which channels, they were shopping in.

Now, as the world slowly begins to shift back toward a new normal and shoppers pick up their old habits, retailers must be ready to again adapt quickly to shifts in behavior and preferences. Solid business intelligence (BI) and the infrastructure to act on it will be vital to success in the post-pandemic era.

“Retailers today understand that they have to treat data as an asset and use it to create more value for their customers,” said Hilding Anderson, Head of Retail Strategy, North America at digital advisory firm **Publicis Sapient** in an interview with *Retail TouchPoints*. “As retailers look to build a better experience and offer the right product to their customers, business intelligence and customer data really sets the foundation for that offer. **The ability to build your business on top of customer data and monetize that data is fundamental to competing in the next 10 years.**”

As has long been the case, the challenge for retailers is not a lack of data, but rather sifting through the vast amount of intelligence available and acting on it successfully to meet the demands of today's consumers. Here are some of the key facets of a successful BI operation:

- **Centralizing data and creating the infrastructure to act on it:** Unifying disparate data sets and aligning the organization around a clear strategy is the first and most crucial step for any company.
- **Diagnosing the requirements of the supply chain:** The bare shelves and shipping delays of the last year brought into stark relief current shortfalls in many retailers' supply chain operations, but also served to highlight the huge opportunity that exists for the deployment of BI tools in this arena.
- **Properly integrating AI and machine learning:** These tools can take the “grunt work” out of BI operations and allow for the kind of advanced, responsive programs that drive concrete results, but they must be integrated intelligently.
- **Using data insights to drive long-term results:** Many companies are looking past the immediate sale and using BI to act on long-term growth drivers, like those that can increase Customer Lifetime Value (CLV).



FIRST STEP: CENTRALIZING THE DATA AND DECIDING HOW TO USE IT

With consumers' rapid adoption of digital technologies last year, as well as the increasing prominence of new data-rich consumer touch points like buy online, pick up in-store (BOPIS), the opportunity for retailers to understand their consumers, and to cater to them with personalized experiences and streamlined processes, is greater than ever before.

Every retailer is at a different stage in this journey, but the starting point is the same for all — **unifying** all the data available, **identifying** what is relevant and **organizing** it in a way that allows business leaders to take action across the business.

"You've got to have strong foundations; you've got to build the house on a solid platform," said Bill Mines, SVP, Finance and Strategy, Supply Chain and Logistics at **Walmart** in a recent webinar hosted by Reuters Events. "You've got a lot of different platforms generating a huge amount of data, and one of the challenges where you've got a lot of different legacy systems is making sure you've got one version of the truth."

However, doing this successfully is one of the biggest challenges in any BI operation, according to Brian Brinkmann, Chief Product and Marketing Officer at data management and analytics provider **Agilence** in an interview with *Retail TouchPoints*.

"In some ways business intelligence has failed us in the past 20 years, because we have the same basic problems we had literally two decades ago," said Brinkmann, who has worked in the BI field for most of his career. "**The problem is around making the insights actually actionable.** There are always more and more data streams, and they all have their own operational, functional use, but true BI is about bringing it together, and harmonizing and curating and mapping it so that it all makes sense, and that's hard. It has been hard; it continues to be hard."

Once that foundation is built, the opportunities are immense, but the data is only as good as the people who use it, so the next crucial piece of the puzzle is ensuring the infrastructure and talent is in place to act on that data.



“The real challenge is not in the building of the technology but changing the organization to actually use that data in a way that drives business value,” said Anderson. “You’ve got to think through what is the right operating structure to allow different business units, even different countries, to have access to the data they need, often on a real-time basis, to make the decisions they need to run their business better.”

The eventual benefit from laying this foundation is limitless, as the events of 2020 made clear. As consumer behavior rapidly evolved, companies with the means to quickly understand those shifting preferences were able to make swift adjustments and meet demand.

“We absolutely recommend that everybody start just by understanding what the current sentiment is; what is the current experience that your customers are having?” said Victoria Bough, Partner at consulting firm **McKinsey & Co.** in an interview with *Retail TouchPoints*. “Then you can use those insights to articulate a shared aspiration of the type of experience that you want to provide your customer. It’s important to just start, even if you start small. **Even companies that had nothing until recently are leapfrogging their competition with a fairly modest investment in big data and advanced analytics.**”



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Hilding Anderson, Publicis Sapient



TURNING A BUSINESS INTELLIGENCE EYE ON THE SUPPLY CHAIN

While many companies are using business intelligence quite effectively in their marketing programs and to combat fraud, increasing the sophistication of data analysis and response in supply chain mechanics can have a big impact on customer loyalty and profitability.

“When it comes to the use of business intelligence, the supply chain is a little less sophisticated today compared to, say, the marketing side, but it is one of the major levers for driving higher profitability for retailers, and that’s very very important as ecommerce grows to a higher degree,” said Anderson.

“Part of the reason analytics has been underused in the supply chain was the consistency of demand,” explained Inna Kuznetsova, CEO of [1010data](#), a provider of analytical intelligence to the financial, retail and consumer markets, in an interview with *Retail TouchPoints*. **“Relatively slow changes in demand allowed retailers to rely on the last six months, or the last 12 months, to predict demand.”** Today, with the high volatility in the space, making changes faster, being able to reroute products between distribution centers or compare the cost of extra shipments to the cost of missing products on the shelf has become vital.”

With the proper systems in place, retailers can streamline their supply chain and react quickly to market forces through the use of **demand forecasting** and **inventory and returns optimization**, all of which can have a huge impact on the bottom line.

The increasing need to localize supply chains — another trend amplified by the pandemic — will only add to the need for more sophisticated information and response systems.

Consider the perfect storm of 2020. There was a huge increase in demand for delivery, occurring at the same time that retailers were experiencing wide variations in consumer shopping patterns based on hyper-localized circumstances such as whether schools and restaurants were open. While these particular circumstances may not recur, they made the need for a localized view of last mile mechanics, and the supply chain as a whole, undeniable.

“The differences in retail trends, in what people buy, in preferences for delivery versus BOPIS, are huge across different geographical areas,” said Kuznetsova. “Understanding that granularity between localities, even though it creates another level of complexity in the data, is very important not just for supply chain optimization, but in targeting your promotions, in lifetime planning, assortment mix and more.”

CASE STUDY:

HOW CONSTELLATION BRANDS IS EMPLOYING BUSINESS INTELLIGENCE TO BRING ITS WHOLESALE BUSINESS DIRECT-TO-CONSUMER

Constellation Brands — home to many top beer, wine and spirits brands including Corona, Modelo Especial, Kim Crawford, Meiomi and SVEDKA Vodka — is embarking on a digital transformation and is relying on business intelligence to do it.

The company, which has operated as a traditional distributor-based wholesale business for decades, is currently in the process of building out comprehensive DTC platforms for its key brands.

“The goal is to grow these businesses through a new channel individually, but then ultimately to take advantage of cross-portfolio synergies,” said Jon Troutman, VP of DTC Marketing at Constellation Brands in an interview with *Retail TouchPoints*.

To do that, Constellation is using data platform provider **SoundCommerce**’s new SoundCampaign 360 SaaS module, which tracks order and shopper profitability in order to optimize acquisition and retention investments against contribution profit and Customer Lifetime Value (CLV).

“The unifying focus of the whole platform is that every decision should be a balance between an incremental dollar of profit today, versus a reinvestment of that dollar into the CLV for each unique shopper,” said Eric Best, Co-Founder and CEO, SoundCommerce in an interview with *Retail TouchPoints*. Basically it means knowing “the customer and serving them to their value potential. It’s a profit exercise, not a revenue optimization exercise.”

While the deployment of the platform is still in the early stages, the insights gleaned already are driving operational decisions as Constellation builds out its ecommerce operation.

“SoundCommerce enables us to make better decisions as ecommerce business operators,” said Troutman. “On the marketing side, it will help us model out our performance at a channel-by-channel, even customer-by-customer level. It also helps us understand how we’re performing operationally in order to make better business decisions, like where to open more 3PL warehouses based on where we’re indexing with different customers, or which channels we want to continue marketing on based on lifetime value analysis. There are so many different applications, and having SoundCommerce at the hub will inform a lot of the decisions we make.”



INTEGRATING AI AND MACHINE LEARNING, INTELLIGENTLY

There comes a point in any business intelligence operation when the sheer amount of data is simply too much to effectively track and quantify, no matter how many data scientists you employ. Enter Artificial Intelligence (AI) and machine learning (ML).

“We’re really seeing a democratization of AI occurring now,” said Peter Sheldon, Senior Director of Commerce Strategy at **Adobe** in a recent **webinar**. “At this point, it’s really become the biggest opportunity for organizations to create disruption and realize a competitive advantage in the marketplace. It ranks as the number one game-changing technology initiative among organizations across all industries and segments, but few firms know how to apply AI themselves today.”

Using these enhanced technologies to help predict behavior and identify opportunities can be an incredibly powerful business tool, but it’s not a silver bullet.

“There are a lot of applications [for AI/ML], but you need to invest very thoughtfully,” said Brinkmann. “Which means **look at your business and figure out what your business problems are, and then use the technology if it’s appropriate to help you solve that problem.**”

One of the most practical initial use cases can be around that foundational effort of collating and cleaning disparate data streams.



“AI has really become the biggest opportunity for organizations to create disruption and realize a competitive advantage in the marketplace.”

Peter Sheldon, Adobe



“Today, data scientists spend about **80%** of their time on just integrating and cleaning data, and the outcome of your prediction is only as good as your data,” said Kuznetsova. “That work in cleaning and integrating data is key for success, and yet it takes a lot of time from very qualified resources. Automating the data cleaning with machine learning tools can help retailers to streamline the process and get to a solution faster.”

Once those basic elements are in place, AI and ML tools become almost required to translate data insights into real-world action that can improve customer experience, reduce costs and increase revenue. The applications are varied and diverse — nuanced **customer segmentation** to create more effective marketing campaigns; personalized **product recommendations** that lead to better sell-through; enhanced **fraud detection**; more accurate **demand forecasting**; and automatic **customer inquiry routing** — to name just a few.

And as consumers increasingly engage with retailers online, their expectations around speed and personalization also are rising. Real-time interventions, such as enhanced product recommendations or immediate customer service assistance via chatbots, are becoming a gold standard. These are the kinds of interactions that simply can’t be achieved at scale without advanced technology.

In part because of the increasing demand for these kinds of real-time responses, Sheldon believes that AI-driven automation will become the norm within the next **10 years**.

“There’s little doubt that by the end of this decade, if not before, AI will touch, probably drive, almost every part of the consumer shopping experience and control the majority of the back office processes that enable the end-to-end customer journey lifecycle — **from ad spend to site personalization to content creation to fulfillment optimization**,” he said.



LOOKING BEYOND THE IMMEDIATE PURCHASE TO DRIVE LONG-TERM RESULTS

As retailers grow more advanced with BI, they are increasingly looking beyond basic metrics such as conversion and acquisition rates or average order value.

A recent study by [Namogoo and Astound Commerce](#) showed that ecommerce brands now place Customer Lifetime Value as their No. 1 KPI moving into 2021.

The basic idea behind CLV is that a retailer identifies its highest-value customers and then focuses on retaining that subset of shoppers, while also acquiring other shoppers with a similar profile, said Anderson. While CLV has been around for some time, the new levels of sophistication available in data analytics and automation have made it easier to quantify and act on CLV than ever before.



“Customer Lifetime Value is a really great strategic metric because it takes your eye off the moment and extends your horizon. It allows you to think about acquiring the customers you intend to keep for 30 years and make investment decisions that can pay off, not this quarter or even this year, but in five years or 10 years.”

Victoria Bough, McKinsey & Co.

By looking at this high-value subset of customers, companies can make what might seem at the moment to be counterintuitive decisions that actually have the potential to pay off big in the long term.

“For example, there are certain products that may be less profitable, even unprofitable, but they are the cornerstone products in a basket,” explained Kuznetsova. “For someone who is making a certain spaghetti recipe every week, **there may be an ingredient that is so key that if it’s not in that store, the whole basket of \$65 goes to another store.** It’s planning based on the long-term history and potential.”

Once a retailer understands who its most loyal, profitable customers are and how best to retain them, the next step is to focus acquisition efforts on “lookalike” customers who will bring a similar level of loyalty and profitability to the business.

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