




6 WAYS

TO IMPROVE REAL-TIME STRATEGIES WITH ANALYTICS

retail
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WHITE PAPER

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 **Retailers are awash in a sea of data, with information coming from a seemingly bottomless supply of sources.** The challenge increases weekly as commerce channels evolve and expand.

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The key to making sounder, more responsive business decisions in today's digitally competitive landscape is tapping into the *right data* at the *right time*. But mountains of spreadsheets and multi-page reports that don't home in on the vital exceptions and patterns are no help in crafting effective, actionable strategies that are **repeatable**.

The solution is an automated approach to data analytics that can drive strategies that can be implemented in real time. This white paper will help retailers understand the importance of relying less on manual processes that waste valuable time, and instead quickly identifying and proactively taking advantage of important sales trends and opportunities with the support of algorithm-based approaches.

The six strategies identified here rely on advanced analytics software and actionable dashboards to convert real-time data into superior sales, revenue and operational results. The ability to capture and easily access a complete data picture is a first step. The power to analyze that information to capitalize on trends seamlessly and quickly is the logical next step, enabling more effective strategies and healthier financial results for retailers.



The prescriptive analytics software market will reach \$1.57 billion by 2021, a 21% CAGR from 2016. Predictive analytics software will jump to more than \$10.95 billion by 2021, a 22% CAGR over 2016.

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Sources: Gartner, Forecast Snapshot, Predictive Analytics, 2017 and Zion Market Research, Predictive Analytics Market report, 2017



STRATEGY 1

Correlate Product And Store Trends

In the past, retailers might notice sales patterns, exceptions and anomalies days or weeks after they initially surfaced. Today, with constant feedback from cloud-based dashboards that provide up-to-the-minute snapshots across channels and locations, it's possible to pinpoint specific product movement and individual store-level patterns almost immediately. That data, presented through the prism of an analytics perspective, can result in more responsive strategies designed to capitalize on those trends, thus maximizing efficiency and revenue.

With a unified commerce approach, store employees can use mobile apps to access real-time inventory and shopper information. That way, if a product is not available in the store, the platform can automatically recommend options to get the product to the shopper: ship it from another store or warehouse, process the purchase and arrange for delivery or pickup based on the shopper's preference, or some other option. The platform also can recommend options for stores, such as transferring slow-moving, overstocked inventory from one store to another, or increasing production of an item if trends suggest an uptick in demand and sales.

A robust analytics platform can proactively send alerts to store associates to keep them up to date on changes in buying trends, drifts in consumer sentiment and competing promotions. Marketing teams can use this insight to determine which products to promote based on store-level, regional or national trends. Prescriptive analytics would go a step further, projecting how a specific promotion (e.g., a \$10 coupon emailed to a specific demographic) will impact sales of a specific product.

For many retailers, pricing is more of an art than a science, but a data-driven approach factors in purchasing trends, geography, season, shopper sentiment and other information to project demand and thus better inform pricing decisions.

A predictive analytical approach also can alert a store of pending out-of-stock situations, based on sales trends, triggering a visit to the back room or warehouse or a supplier to expedite an order and thus avoiding lost sales.

In one example, **Walmart**, despite its huge scope, uses analytics to target micro-markets, stocking products according to demand at individual locations. Other retailers, large and small, can take advantage of prescriptive analytics to decide the right time to discount last season's stock, or when to bring in new items, based on weather patterns, website searches and other factors.



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STRATEGY 2

Create Omnichannel Campaigns


In today's evolving retail climate, shoppers expect personalized and relevant communications and offers — and many are willing to pay a premium for them.

Following a prescriptive approach, retailers can tailor real-time offers that are not only personalized, but more likely to change a consumer's behavior. Instead of a one-size-fits-all or shotgun strategy, tailored offers that surface through prescriptive analytics account for a shopper's history, preferences, timing and other factors that increase the offer's perceived value to the individual.

Descriptive analytics can track when shoppers open offers or respond through purchases; prescriptive platforms can extrapolate from that information to create more effective future campaigns.

 **Sephora**, for example, takes advantage of analytics to reach its most loyal customers via their mobile devices. The retailer provides detailed data to the members of its Beauty Insiders program, including access to purchase history, rewards and favorite products. This motivates an uptick in in-store purchases and channels demand for products, both online and in-store. The retailer promotes "My Beauty Bag" as a way for shoppers to track items they like, scan items in the store and facilitate ordering. Sephora also leverages advanced analytics in other ways. When a customer has makeup applied in the store, for example, a camera captures the products used, then immediately suggests purchase of those items in addition to complementary products, and later follows up with an email suggesting additional purchases.

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43% of consumers would pay up to 10% more for a personalized shopping experience.  TWEET THIS

Source: TimeTrade, State of Retail 2017 survey report, 2017



STRATEGY 3


Analyze Sentiment Data

Social commerce — the intersection of social media and e-Commerce — leans heavily on social media sentiment. More than two-thirds of respondents in a [PwC survey](#) said social media, especially in the form of reviews and promotions, influences their shopping behavior. So, it's critical to monitor and often respond to sentiment trends by adjusting product assortment and promotions.

Integrated business intelligence capabilities allow retailers to capture and filter sentiment data from each step of the shopping journey: the initial site visit (including trend searching), total time on site, purchase behavior, abandoned carts, call center experience, in-store experience, social media interactions, online product comments and more.

Parsing that data can predictively help improve product selection by indicating product lines that net highly positive or negative buzz, providing guidance on which products to promote and which to eliminate. With the benefit of shopper input, a targeted, prescribed product mix will in turn lead to higher satisfaction, more engaged shoppers and more robust sales.

Advanced analytics also can track reactions to customer surveys following site or store visits and proactively offer action plans to change outcomes, such as improving the customer experience or avoiding abandoned shopping carts. And it can even predict and proactively address negative sentiment.

 **Virgin America**, for example, doesn't simply send passengers on delayed flights a survey after the fact; it has been known to email those passengers before the flight ends with apologies and \$50 vouchers toward a future trip, anticipating the need to generate goodwill and proactively seeding the possibility of future purchases. Predictive analytics might indicate that a certain percentage of those passengers would redeem the vouchers; a prescriptive approach might vary the amounts based on individuals' history with the airline, for example, and mathematically determine a dollar figure that would be more likely to trigger a future reservation, assuming that is the intent of the offer.

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The Evolution Of Analytics

PHASE 1:
Descriptive

Identifies what has happened

PHASE 2:
Diagnostic

Explains trends, providing history and possible factors

PHASE 3:
Predictive

Identifies past patterns to predict the future

PHASE 4:
Prescriptive

Provides a call to action with solutions designed to change behavior



STRATEGY 4

Optimize Staffing

Prescriptive analytics can help retailers optimize scheduling to ensure the right amount of coverage based on the busiest and slowest traffic in real time. By analyzing history, sales trends, seasonality, store traffic patterns and other factors, analytics platforms can determine the optimal number of associates to ensure adequate coverage and service levels while at the same time avoiding overstaffing stores and call centers.

Additionally, by automating sales and merchandising decisions — such as inventory guidance, suggestions on in-store placement, and recommendations for related merchandise — advanced analytics can empower associates to provide better service, give them access to more robust and real-time product knowledge, and ultimately require less supervision. An app can help manage employees' shifts and, ultimately, productivity.

Retailers like **Abercrombie & Fitch**, **Lowes Foods** and **DSW** already deliver real-time targeted recommendations to store-level employees' mobile devices. Not only do these messages help keep associates focused on essential tasks, they centralize decision-making, leaving fewer decisions up to individuals' discretion and optimizing operations based on current information.





STRATEGY 5

Improve Merchandising

A head-to-head comparison of winners and losers between product lines and stores provides actionable insight that allows retailers to adjust and recover much more quickly than in the past.



An analysis using prescriptive analytics can consider why one product is flying off the shelves at a few stores, but gathering dust at others. A prescriptive solution would provide guidance on how to take advantage of an item's popularity — better physical positioning in the store, social media promotions or “snap it up while you can” messages to customers, supported by mathematical models identifying the potential impact these strategies would have on the bottom line.

The analysis also can indicate a potential hot seller early in the process to allow for better positioning across channels. Conversely, it can determine when shopper interest is waning for items, and deliver actionable steps to turn that around or minimize losses. Orders of seasonal merchandise, often based on historical sales trends, can be adjusted up or down more quickly to avoid overstock and out-of-stock situations.

Knowing granular sales trends can help chains determine a product mix that makes sense for individual locations and markets so they can better serve each location's clientele and maximize revenue. Until recently, that kind of intelligence was difficult to unearth amid broader and less-frequent reports.

In one example, a major beauty supply retailer originally adopted a prescriptive analytics approach designed to help proactively reduce losses, but found that the system yielded data with additional benefits. Point-of-sale data provided insights into the products customers were buying and provided opportunities for cross-selling and upselling. The POS now prompts associates to suggest that customers purchasing hair coloring may want to consider adding gloves, toner and other related items to their baskets. A predictive platform would make those suggestions based on likelihood of a purchase; a prescriptive platform would go further, tailoring the offer to the customer and weighing the potential financial impact of the recommendations. That type of suggestive selling is not just good business, with the intention of increasing shopping cart size; it's a way to create goodwill among those shoppers by ensuring they have all the tools needed to get the job done.

Even fashion retailers are moving away from subjective next-season predictions and toward the idea of using predictive and prescriptive analytics to determine what trends will take off in the future. They can't afford to be caught off base or behind the times. Fashion houses such as **Burberry** and **Ralph Lauren** are turning to real-time data analytics to plan their next lines and product assortments, while **Prada**, **Nordstrom** and others rely on tools like enterprise resource planning (ERP), product life management and business intelligence to predict what customers will want next.



STRATEGY 6

Build Customer Loyalty



A unified commerce approach allows retailers to spotlight shoppers who purchase most frequently, return less frequently, buy the most and refer most often. [Those most-valued shoppers can be engaged at a deeper level with relevant educational content, personalized promotional offers and other messages that nourish positive brand sentiment.](#)

All types of messages can be automated: Individualized greetings on web sites and at call centers, product recommendations based on purchasing history, suggestions for complementary merchandise, alerts when similar items become available. Now consumers have a virtual personal shopper experience that drives repeat purchases, and the retailer has a way to boost KPIs as needed.

As a case in point, an upscale omnichannel home furnishings retailer recently began leveraging prescriptive analytics data to analyze customers' browsing history, social media history and transaction history, with the ultimate goal of creating micro-targeted marketing offers likely to convert a shopper into a buyer. Additionally, the strategy is designed to create a seamless experience between digital and brick-and-mortar channels. The new approach has encouraged online customers to visit store locations, where they are more likely to purchase items that can't be fully appreciated on a computer screen. In the store, shoppers also are more likely to increase their basket with impulse items and cross-sell suggestions.



Conclusion

Advanced analytics is a game changer, particularly for omnichannel retailers seeking to level the playing field against pure-play online competitors. Using automated, machine-learning algorithms, prescriptive analytics provides real-time insights and responses that can be implemented quickly in light of current market conditions. The technology eliminates the labor- and time-intensive manual process of dissecting mounds of data.

In the past, larger retailers spent time developing proprietary analytics platforms with a fraction of the capabilities that available software and third-party analytics specialists can offer today. Developing a system internally can be a costly, time-consuming process that requires trial and error before implementation. Today's advanced analytics solutions, provided by a trusted third-party partner, allow retailers to focus on other aspects of the business while enjoying the benefits of proven systems. These platforms can offer real-time, bottom-line results for all types of companies, whether or not they have the in-house expertise to develop their own customized, proprietary platforms.

Advanced analytics provide the big picture vision to allow retailers to optimize operations, marketing and customer loyalty, which translates into increased conversion rates, repeat purchases and measurably improved revenue.





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