

7 Steps To Increase Profits And Loyalty With Advanced Business Intelligence

- 1 Current BI Process
- 2 Transformational Change
- 3 Information Intelligence
- 4 Centralized BI Solution
- 5 Intelligence Throughout The Organization
- 6 Simple, Effective UI
- 7 Best BI Provider

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Integrating people, process and IT

Executive Summary

An investment in advanced business intelligence is an investment in future growth and profits for today's retail organizations.

In an increasingly challenging selling environment, merchants are charged with collecting and organizing a growing mountain of data points in order to formulate the most effective retail strategies. Outdated analytical tools that dump chunks of static data into a composite spreadsheet are inadequate for predicting shopping and buying behavior. The most successful retail companies will implement advanced BI solutions that can predict and respond to demand before it occurs.

By following this 7-step guide, retail companies will learn how to leverage the massive amount of data already being collected; accelerate and extend business intelligence from the C-suite to the stock room; and find the best ways to deliver products how, when and where today's increasingly knowledgeable customers want them.

Introduction

Retailers can break through the independent vaults of retail data (merchandising, pricing, marketing and IT, etc.) that don't communicate and therefore prevent thorough, predictive information from reaching all the key entities in a fast, agile fashion. New sources of unstructured data — including image recognition, mobile, SMS, social and video — can be synthesized and matched with existing records to trigger opportunity alerts.

New BI solutions for retail — employed in-house, in the cloud or through a hybrid of both — incorporate dexterous architectures that open and leverage existing resources without inflicting the implementation pains of yesterday.

Previously mismatched data is easy to extract and simple to interpret — driving better, faster decisions, increased customer loyalty and a measurable impact on the bottom line.

New BI solutions for retail — employed in-house, in the cloud or through a hybrid of both — incorporate dexterous architectures that open and leverage existing resources without inflicting the implementation pains of yesterday. These tools don't replace retailers' expertise, but empower them with the information they need to take real-time action.

Corporate-level financial and space planners, store and district managers, and associates in the mall-based electronics department, for example, are transformed by a new acumen that seizes consumer buying power.

Ultimately, the haystack gets smaller and the needle much bigger.



Step 1:

Re-Evaluate Current BI Processes

Today's "Big Data" and unstructured formats require more types of cross-associations, ad hoc queries and pattern/trending techniques not supported by many existing BI solutions. Data silos may be jam-packed with potential, but exploration tools may be outdated.

As the data volumes grow and merchants gather more and more information about their customers, they must turn all those facts into an assurance that the mom who researched microwaves and likely will shop the Peoria store can select the color, size, shape and model she wants, then receive a perfectly timed and extremely relevant offer using the delivery vehicle she prefers.

From a technical standpoint, retailers must know how often and how long customers have looked at a product on the web site; what they've said to or heard from friends about it; where they clicked next; how much they paid for a similar or complementary product; the exact moment they've entered the physical store; and the offer that will turn them into buyers.

"Older BI systems may be well-integrated with merchandising and POS and/or financials and time and attendance, for example, but are based on a hardened data infrastructure that would require a significant IT investment to leverage today's

66 Data volumes are growing more massive and unstructured every day, requiring more powerful and flexible BI exploration, association and patterning tools."

- Peter Charness, Manthan Systems

web, social and other trending data sources," noted Peter Charness, President of Manthan Systems U.S. "Data volumes are growing more massive and unstructured every day, requiring more powerful and flexible BI exploration, association and patterning tools than what's been available." He added that today's retailers need to investigate and assess, not be guided along predefined paths that often provide inaccurate information or deliver answers too late to be of any value.

Analysts agree. "Most retailers are missing the boat because they think they have a BI application that helps them analyze, plan and deliver, but the application doesn't integrate with the business' other data sets, processes and systems to allow the required predictive thinking," said Bob Hetu, Research Director for Gartner's Retail Industry Services Group. "While retailers do a good job of harvesting key data, they have a hard time integrating

and extracting it in a form that truly operationalizes it so that a marketing or merchandising person, for example, can use the information efficiently to drive decisions and take action.

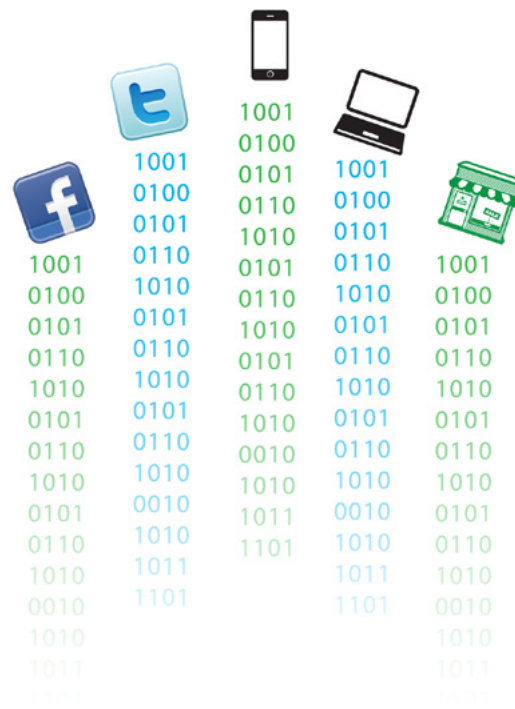
“In truth, almost all of today’s retail BI solutions are not fully integrated,” continued Hetu. “Retailers use a variety of tools to monitor, plan and execute but are not coming up with truly integrated business intelligence that drives good business decisions and is at the core of the operation. This is where many retailers are falling down.

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“You see, it’s not just about the data, but how it is going to be used. This is the gap that retailers need to fill,” Hetu said. “More than anything, and especially today, retailers need a predictive capability that only true business intelligence can provide.”

If a retailer’s current BI tool simply is an elaborate reporting device and not designed specifically for the needs and hierarchies of retailing, then it’s time to take the next step.



Step 2: Commit To A Transformational Change

A retail organization can move from looking at static spreadsheets built from separate vaults of data to accessing real-time intelligence based on history, merchandising trends, competition, Facebook comments, responses to targeted offers and mobile messaging, and other key data sources. The employees and competencies may be in place, but merchants need the right process and a commitment to execute this move.

“Harnessing the power of the independent data warehouses starts with an executive commitment to the transformational change, from the CFO who says ‘let’s do it,’ to the CIO who will map it out,” said Gary Lowen, Vice President of Business Development for RPE, a leading retail consulting firm and systems integrator. “A pledge must come from the most influential executives in the retail organization — those who can enable the broadest change opportunities from a process and financial standpoint. Once committed, executives must consider the retail-specific BI vendors and consultants that can help with discovery and assessment, integrate the organization’s primary disciplines and empower them with true business intelligence that moves the organization from looking at yesterday’s demand to fulfilling tomorrow’s.”

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Lowen pointed to two real-world examples in which project commitment did — and did not — come from the C-suite, and the ultimate effect on the BI process change. In the more effective approach, a mid-tier southwest retail apparel chain attained project endorsement from its executive ranks as well as all major stakeholders throughout the supply chain, producing a multifunctional, productive and coordinated effort. “The strategic priority was to improve year-over-year comp store sales and percentage of sales, while diligently growing the chain’s direct-to-consumer business,” explained Lowen. “With an enterprise-wide commitment to using BI as a decision support tool in each of its channels, department heads and other user communities succeeded in achieving and leveraging real-time visibility of fact-based historical and trend data, ensuring accuracy and mitigated risk. Key to the project’s success was the

understanding that if the corporation's CEO, COO, CMO and CIO communicated its alignment in regard to reporting insights and business intelligence, that the balance of the organization would enthusiastically embrace its process and achieve its goals...which it did."

In another instance, where the necessary corporate alignment was absent, a BI project investment did not translate to successful execution for a large, general merchandise and apparel retail chain. In fact, the lack of C-level commitment caused numerous productivity setbacks, Lowen noted. "The pressures of daily tasks outweighed the more strategic business objectives of incorporating best business practices, including using and sharing

With corporate support for transformational change, BI assists in better product assortment, more efficient DC fulfillment and lower safety stock.

relevant market data," he reported. "The appropriate system solutions were in place, but in a volume-driven sector with shrinking margins driving daily sales goals, the lack of C-level commitment inhibited the opportunity to leverage reporting insights and BI. If the retailer had corporate support of the transformational change, BI would have assisted in better product assortment, more efficient DC fulfillment, lower safety stock and a steady, consistent focus on corporate metrics and KPIs."

Lowen noted that with key executives now on board with the BI process, the chain currently is moving into the forefront of e-Commerce: "This retailer is forging a reliable, secure, predictable and accurate powerhouse of data while maintaining its cross-channel growth within its brick-and-mortar operations."



Step 3: Empower The Retail Organization With Information Intelligence

Beyond a general approach — such as sending heavier clothes to Vermont stores and lightweight ones to Florida — retailers must embrace new BI tools that can provide pricing, assortment and allocation details based on historical data and trending social commentary, and support new product line extensions, streamlined assortments and planograms, an online store, mobile promotions and other avenues that meet trending demand.

A real-life scenario sets the scene: An in-store shopper is using his smartphone's image recognition tools to research the newest flat screen TV and where it might be offered cheaper, either online or a store nearby. He's checking Facebook to confirm that his friends recommend the item; he has a mobile coupon for dollars off in that store, is approached by the sales associate who knows he's entered the store, get his questions answered by the associate with a BI-equipped iPad, then pays in the aisle with a credit card scanned into the iPad's auxiliary card reader.

Retailers can't allow consumers to become smarter than they are: From soft line apparel to fast-moving consumer goods, retail data concerning products and offerings — and how, when and where customers want them, and prefer to interact about them — must be turned into

“With so many executives — from marketing to merchandising — citing customer experience management as central to their efforts to win share, the seamless flow of accurate information is fast becoming a source of competitive advantage.”

*- National Retail Federation,
2011 Retail Horizons*

intelligence and ready for leverage.

Shoppers are empowered with information access: They're researching online and buying in-store; doing the reverse; making purchase decisions in-store then buying cheaper elsewhere; checking social media and YouTube for decision support, and using smartphones for all these access points. It's the "Consumerization of Retail": game-changing shopping methods, especially mobile, are providing significantly higher degrees of buying intelligence that retailers must track, capture and analyze to understand what's influencing purchase decisions, then predict consumers' next steps.

There's so much more transparency in retail today, forcing retailers to drill into new, unstructured data, which in turn

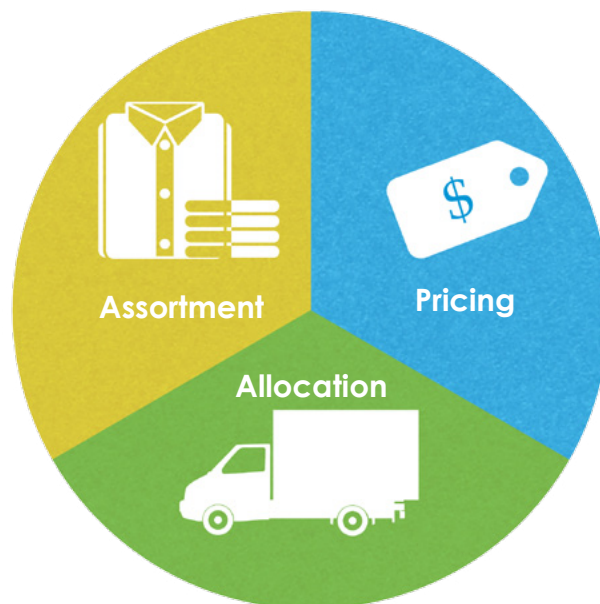
feeds into Big Data. It's not enough to know what happened at POS; retailers must find out what consumers did before they got to a store or clicked onto a web site, and what they'll do next. In turn, those merchants must use this data to formulate an educated strategy around how a shopper may respond to different information; identify the probability to purchase; and drive additional motivation to move shoppers from browsers into buyers. The goal of today's advanced retail BI is to combine an increasing amount of extremely valuable, unstructured data — which includes less concrete elements such as buying influences — with more tangible information, such as purchase history, to impact profits and loyalty.

With the amount of data and channels continuing to grow, IT leaders will need to

stay on their toes to avoid missing out on key opportunities to power growth through added insight and value, according to the National Retail Federation's 2011 Retail Horizons report. "For this reason, perhaps, respondents to this year's Retail Horizons survey overwhelmingly picked business intelligence and multichannel integration to lead the list of strategic priorities for 2011," the report stated. "With so many executives — from marketing to merchandising — citing customer experience management as central to their efforts to win share, the seamless flow of accurate information is fast becoming a source of competitive advantage."

The report revealed that business intelligence was a primary IT objective, with nearly half (49%) citing BI as the top strategic IT initiative for 2010 and 2011.

Business Intelligence



Step 4: Implement A Centralized BI Solution

Retail-specific BI vendors and consultants can help assess and transform current data warehouse structure into a centralized depository of information, mandatory for allowing a retail organization's key players to make proactive decisions based on unified, powerful information. This centralized solution may be deployed in-house, using components of existing technology; across the cloud; or a hybrid, depending on application scale and cost considerations. A BI vendor/consultant can help determine the best route for each individual retailer.

A growing number of retail organizations are opting for Software-as-a-Service (SaaS) solutions, for both economic and functional reasons. SaaS solutions are inherently less expensive than custom-built tools while offering more agility and flexibility. Recent research by the Aberdeen Group found that the use of SaaS BI grew more than 50% during 2010. A key driver of this growth was the reduced total cost of SaaS ownership (including hardware, software, services, training and maintenance)

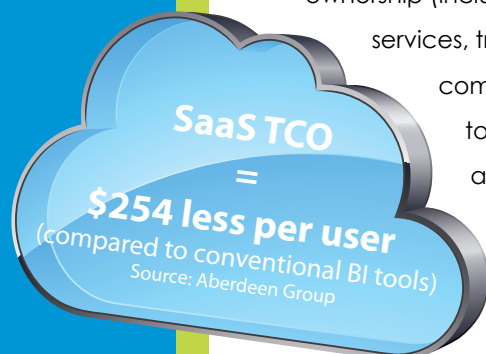
compared to conventional BI tools: "We found that over a 12-month period, those employing SaaS were spending \$254 less per user, on average,

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- Aberdeen Group

than conventional BI users," said Mike Lock, Senior Research Analyst, Business Intelligence, Aberdeen Group, in a recent webinar. Lock noted that the 12-month TCO of conventional BI tools was \$658 per user, while SaaS cost just \$404.

"SaaS and cloud deployment alternatives both are increasingly attractive due to their intuitive nature, zero footprints and embedded, pervasive and well-integrated analytics," said Lock. "In addition, executives and business users want 'discovery,' including tailored analysis based on self-service questions, and tailored delivery with custom, intuitive views, which SaaS and the cloud both deliver."



SaaS TCO
=
\$254 less per user
(compared to conventional BI tools)
Source: Aberdeen Group

Step 5:

Extend The Intelligence Throughout The Organization

Revolutionizing the realm of BI across verticals and sectors is intellect that's entrenched into and reaches out from all levels of the retail organization. No longer based on roles, BI for the masses is open, collaborative, secure and responsive to individual needs and requests for insight, allowing more predictive and productive actions.

"There's a shift of balance from static reporting, which can bottleneck an organization, to real-time, self-service information," stated David White, Senior Research Analyst, Business Intelligence for Aberdeen Group. "When users can get their own answers, it reduces the number of requests going to IT, which, due to volume, sometimes gets back with information when it's too late to use. Self-service puts control of business intelligence into the hands of the users themselves, making them more self-sufficient and responsive to customers' needs."

Following are real-world scenarios reflecting a variety of roles in the retail organization



and how BI empowers them:

- **Sales Associates.** A shopper walks in, sees a pretty pink sweater, size large, loves it, needs a medium, but it's sold out. Instead of walking away, she encounters a sales associate who uses his iPad equipped with advanced BI tools to locate the desired product, swipe a credit card, select 'ship direct to consumer,' then thank the customer as she continues shopping in the store.
- **Store Managers.** Access to BI helps store-level managers determine: 1) the moment a loyal, smartphone-equipped customer walks into the store; 2) proper staffing levels based on predicted and actual traffic counts; 3) appropriate inventory levels based on trends, sales and/or local events creating excess product demand; 4) which store promotions are hitting marketing and sales goals, and at what point; 5) how sales are trending compared to other stores in the cluster; 6) effective levels customer service; 7) sources of loss prevention; and more.
- **District Managers.** Armed with advanced BI, district managers can identify the most and least productive stores,

departments, categories and SKUs; create tailored incentive programs based on real-time sales data; identify candidates for succession; and more.

- **General Merchandising Managers & Store VPs.**

Better insight into key areas of accountability helps these executives identify issues before they become problems.

Benchmarks can be met and exceeded with closer management of business geography; stores sizes, tiers and regional clusters; product margins and assortments; formats impacting productivity; marketing campaign trends; and other criteria and evaluations.

It's not just about deep discount anymore; planners need to know what products their buyers have in the pipeline; where the more robust assortments need to go; how soon the products need to get shipped to meet promotional windows; and where the higher-shrink items on promotion should be placed.

- **Corporate-Level Space**

Planners. Until recently, space planners only looked at historical data and released almost identical planograms (size, placement and assortment) across the chain. With real-time data at their fingertips, planners can see orders as they are being generated, then respond

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to trends with intelligent decisions that positively impact leaner or greater product assortments and allocations throughout the chain.

- **Heads of Security and Loss Prevention.**

Loss prevention is a key area that BI can transform, asserted Deena Amato-McCoy, Research Analyst for Aberdeen Group's Retail and Banking practice. As a case in point, she indicated the savings realized by a large Canadian retail chain: “By integrating BI into the core of its operating practices, the retailer was able to conduct a detailed store shrink audit, a process that helped the company reduce shrink levels as well as slash overall supply costs by 9% across a key category,” reported Amato-McCoy. “Extending BI into the security and loss prevention areas even with existing technologies is so easy, yet so few think to do it.”

Only with an open structure of sharing between departments, and warehoused data that infuses power into all levels of the retail organization, can better enterprise-wide decisions and actions be made.

Step 6:

Focus On Simple And Effective User Interfaces

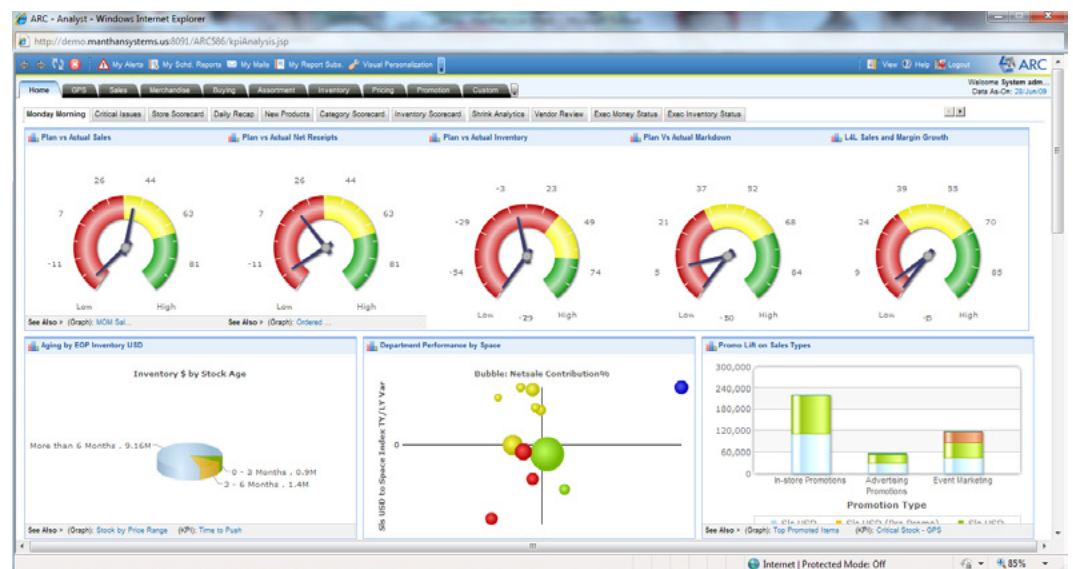
To support the speed and effectiveness of real-time business intelligence, retailers are trending from static Excel-like spreadsheets to browser-based dashboards that present a complete, real-time view of the business, yet allow each user a tailored view.

Customized views of pertinent, open-enterprise data generated on simple, adjustable interfaces allow retail team members — from merchandisers, planners and store managers to the CEO and CFO — to contribute, collaborate and make fast, smart decisions that increase sales and competitive position.

The interface should be visual, interactive and presented in a familiar layout; be modified for specific user needs; and usable across devices, including smartphones, tablets and PCs. “The real

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innovation we see in user interfaces comes from the consumer's growing level of comfort using electronic devices to access and manipulate the data they need — to add a column, drive down and find a granular answer without going to IT,” reported Aberdeen's White.



Step 7: Choose the Right BI Vendor

The BI vendor must address the data silo breakdown; some merely add a layer of analysis that pulls pieces of data together but don't open the data vaults.

"It's not just about the data, but how that data will be used," asserted Hetu. "Retailers must perform in an increasingly difficult environment, constantly bombarded by snippets of data, and can't spend all week trying to produce an analysis from an application that sits to the side because the BI vendor merely added another system layer while failing to cross over from data acquisition to actionable information. It's a gap that few are filling today.

"Even for those retailers using new applications for merchandising or sales analysis how much of it is actual business intelligence, and how much is adding a view of just some aspects of the business?" Hetu remarked.

Hetu advised retailers to assess more vendors than just the best-of-breed. "Many companies offering BI do not have a seamless solution specifically for retailers," he said. "I've seen some retailers go down this path and end up with a system that sits to the side because it doesn't address the problems faced in retail, which to a large degree are quite unique. It is best is to select a vendor with an intimate

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In addition, retailers should consider an external project management partner that works in harmony with, but independent of, both internal and vendor resources. These partners work with multiple BI vendors to deliver the best, unbiased and customized final results. The most effective specialize in retail: They understand the impact of today's knowledge-empowered consumer, ensure that all pertinent information is captured ongoing in the retail databases, open the vaults, and guide retailers in formulating strategies that help predict tomorrow's demand.

Conclusion

For true retail vision, merchants must have an open enterprise system that breaks down the data silos of their various operating divisions, said Amato-McCoy, who admitted that from a technology standpoint, “it is bewildering that, in this day and age, many retailers are still using static spreadsheets to ‘gain’ operational insight. They must move from a manual mindset, and the way to do this is to extend BI across the enterprise.”

More directly, “I cannot imagine retailers not having some form of BI in place,” added Amato-McCoy. “Implementing basic BI analytics has to be part of the cost of doing business. Going forward, having the capabilities to predict and respond will differentiate the winners from the losers.”

By following this seven-step guide to achieving retail BI — through reevaluating, committing, empowering, implementing, focusing then choosing the right BI vendor — retail companies can grasp and extend the reach of BI to deliver products how, when and where today’s increasingly knowledgeable customers want them.

Ultimately, the haystack will get smaller and the needle much bigger.





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