The Importance of BI in an Ever-Changing Retail Landscape

As consumers become more demanding and competition intensifies, retailers must learn to make better decisions to stay relevant in a constantly changing environment. There is too much at stake and they can no longer rely on their intuition alone.

Retail analytics and business intelligence provide them with actionable insights to solve the many business challenges they face, notably staying ahead of market trends, improving operational efficiency, and delivering a truly remarkable customer experience.

The Retail Landscape Is Evolving Quickly

Traditionally, high consumer confidence and low unemployment levels have been good news for retailers. And you might think that the big wave of retail bankruptcies is over. Indeed, NRF forecasts that retail sales in 2019 will increase between 3.8 percent and 4.4. percent to more than $3.8 trillion.[1]

However, these aggregate statistics do not mean much anymore. Retail sales may be at an all-time high, but for many retailers, profitability is declining.

Winners take all

In all likelihood, underperforming retailers will continue to underperform, while giant retailers will continue to dominate.

Not surprisingly, online marketplaces like Amazon, eBay, and Alibaba take the lion's share of online spending, with about $365 billion in sales worldwide. According to Forrester, this represented more than 50% of worldwide online spending in 2016 and this percentage could grow to two thirds by 2021.[2]

Amazon, in particular, is becoming so powerful it is no longer just capitalizing on emerging market trends, it is creating them. For consumers, Amazon Prime Days have become the equivalent of Black Friday, altering consumer buying behaviours to the point that other retailers, including Walmart, Target, and eBay, had to create their own special sales events around Prime Days.

Memberships, subscriptions or both?

Unfortunately, it is all the more difficult for traditional retailers to catch up, because unlike Amazon and Costco, they cannot leverage membership fees to offer better prices than competitors.

Venture capitalists took note of course. Attracted by the strong growth of the subscription e-commerce market, they started funding start-ups like Blue Apron and Birchbox. Except, thanks to the venture capitalists' investments, these new entrants can run at a loss while they gain market share, which puts additional pressure on other retailers. This explains why established brands like Adidas, Sephora, and Starbucks launched their own subscription box service.[3]

While these initiatives have been met somewhat favourably by consumers over the long term, they undeniably illustrate the predicament of most retailers.

The want-it-all customer

Consumers nowadays expect personalized service, free one-day shipping, free returns, and a seamless omnichannel experience. At the very least.

Meanwhile, the costs for retailers keep accruing. Customer returns alone are costing U.S. retailers an estimated $351 billion in lost sales.[4]

As if this were not enough, experiential retail has become the latest industry trend. Driven by the need to stand out from their competitors, retailers desperately try to build an emotional connection with customers.

The challenge is that an experience is subjective by definition. What may be great for some, may just be "meh" for others. So, even when a brand successfully tests an experiential store in a big city like New York, there is no guarantee that the same concept would translate into additional sales if it were rolled out in all of the company's stores.[5]

All these changes in consumer expectations along with an intensification of competition mean that retailers are increasingly forced to make tough decisions. And since these decisions have profound repercussions on their future, they can no longer rely on intuition alone. That's where business intelligence and analytics come in.

Making Data Valuable Through
BI and Data Analytics

In simple terms, business intelligence (BI) can be defined as the ability to provide the right information to the right people at the right time. Essentially, this means encouraging data-driven decision-making over gut-based decision-making.

Business intelligence is far from a new concept. Data warehouses, data mining, and database technologies have existed in various forms for years.

So, why BI? And why now? There are essentially five factors driving the adoption of BI: an explosion of data, the affordability of cloud-based data warehouses, the democratization of BI and analytical tools, improved data visualization, and mobile access.

More data from more sources

A few years ago, data came mostly from transactional systems such as POS systems, ERP, CRM, and inventory management databases. This kind of data—structured data—is relatively
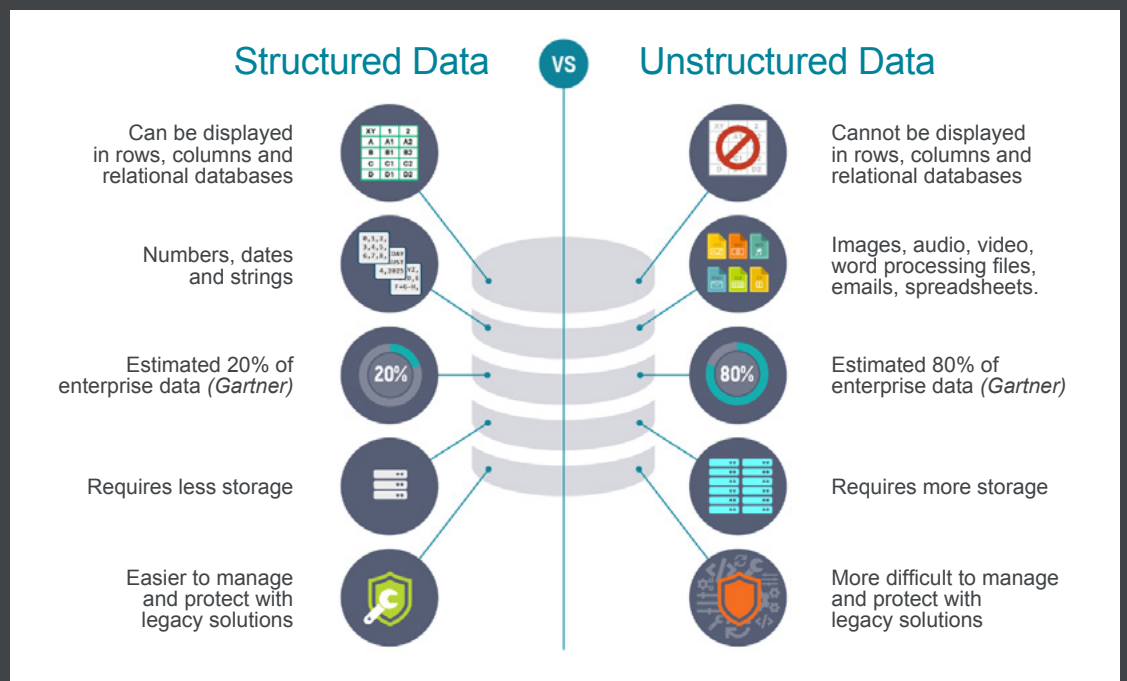
easy to store, query, and analyze; unlike unstructured data, which can take the form of customer emails, digital images, audio and video files, and social media comments, to name a few.

Various reports from Gartner, Forrester, and IDC confirm that 80% of enterprise data is unstructured data, and it is growing exponentially. This is the phenomenon known as big data.

From an analytical perspective, this unprecedented amount of data represents both an opportunity and a challenge. An opportunity, because with more data you can potentially get more valuable insights. And a challenge, because, by its very nature, unstructured data is much more difficult to extract and analyze with conventional tools.

80% of enterprise data is unstructured data

**Structured Data
vs.
Unstructured Data**

Structured Data   VS   Unstructured Data

Structured Data		Unstructured Data
Can be displayed in rows, columns and relational databases		Cannot be displayed in rows, columns and relational databases
Numbers, dates and strings		Images, audio, video, word processing files, emails, spreadsheets.
Estimated 20% of enterprise data *(Gartner)*	20% / 80%	Estimated 80% of enterprise data *(Gartner)*
Requires less storage		Requires more storage
Easier to manage and protect with legacy solutions		More difficult to manage and protect with legacy solutions

Source: Lawtomated, April 7, 2019

Cloud-based data warehouses

Many businesses nowadays have moved their data warehouses to the cloud. Some have been motivated by the perspective to reduce costs, others by the prospect to scale their capacity up or down as needed.

Increasingly, though, retailers realize the unstructured data they collect, such as weather data, and beacon and sensor data, is already in the cloud. So, why move it elsewhere?[6]

Democratization of BI and analytical tools

When data was scattered across disparate transactional systems, it was not uncommon for it to take years and millions of dollars to build data warehouses. As a result, BI projects were often reserved for large businesses.

That is no longer the case, as many software vendors now offer turnkey solutions, thus providing an alternative option for any business looking for a quicker, less costly, and less risky solution.

Data visualization capabilities

Similarly, much progress has been made in presenting data. Too much information is as paralyzing as no information at all. Data needs to be presented in a way that is understandable to merchandizers and store associates, not just the IT staff.

In this respect, retailers can now tap into many customizable tools such as dashboards, real-time reports, and scorecards.

Making data more accessible with mobile access

It looks like every retail chain has made an investment in mobile technology over the past few years.

The consequence of this proliferation of mobile devices is that retailers can now push actionable insights to their store associates. The information becomes actionable in real-time, thus empowering store associates to better serve customers.

Every retail chain has invested in mobile technology

WHAT IS BI

The right information to the right people at the right time.

UNLOCKING THE POWER OF BI FOR RETAILERS

ADVANTAGES OF USING BI

- Improve operational efficiency
- Analysis of trends, issues and opportunities
- Actionable insight enterprise-wide
- Uncover hidden opportunities
- Enhance customer experience
- Identify issues immediately

HOW TO MAKE USE OF BI

- Stay ahead of market trends
- Performance monitoring
- Develop new strategies
- Access and share information easily
- Create personalized experience
- Better forecasting

What It Means to
Leverage BI to Make Better Decisions

Concretely, retailers can benefit from better insights in at least three areas: staying ahead of market trends, improving operational efficiency, and creating a customized shopping experience, thus improving overall performance.

Staying ahead of market trends

Every year, someone tries to predict the top 5 or top 10 trends that will transform the retail industry in the near future. Will it be sustainability? Experiential retail? Voice searches? The Internet of Things?

It's one thing to be aware of these trends, but interpreting them and transforming them into actionable insights is another story. That is where BI can make a difference, especially now that artificial intelligence (AI) and machine

learning (ML) can recognize patterns within large data sets.

In this view, BI can help retailers get ahead of opportunities—or threats—instead of just reacting to them. Once they've identified the most impactful trends, retailers can run what-if analyses to envision different scenarios and determine which strategic initiative they should focus on.

Consider how this type of information could help retailers make important decisions regarding the type of business model to pursue, the product lines that should be created or abandoned, the kind of ancillary services they should consider adding, or the store concepts they should be experimenting with.

Business Intelligence Objectives

How will you leverage BI in your organization?
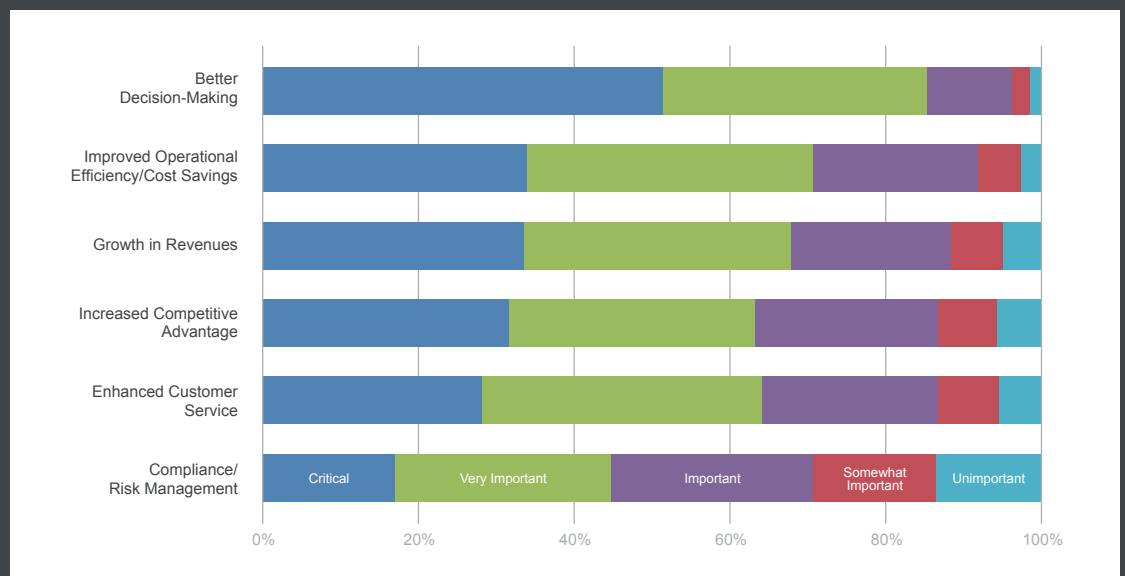
Source: Dresner Advisory Services, The 2019 Wisdom of Crowds® Business Intelligence Market Study, May 30, 2019

Driving efficiency

Many retailers find demand forecasting challenging. It is nevertheless essential to improve operating margins.

When retailers use predictive analytics to forecast demand, they use a variety of techniques—data mining, modeling, machine learning, artificial intelligence—to help them make better decisions regarding assortment planning and inventory management.

Besides, BI applications foster communication and buy-in by presenting a unified view of the truth. Unlike Excel spreadsheets, which can quickly become cumbersome and overwhelming, BI applications enable buyers, merchandisers, and regional and store managers to access the same information at the same time.

With KPIs and dashboards, team members can quickly see where they're meeting or exceeding goals and where they might be falling short. Some applications even allow you to set up custom alerts and notifications when data values reach specific thresholds.

This is so much more powerful than a static sales report. Not only is the information available in real-time not a week later, but the data is interactive as well. Imagine being able to drill down into the details you need to uncover the real drivers of improved performance.

Creating a customized shopping experience

If there is one thing retailers have learned over the past few years, it is that they have to focus relentlessly on improving customer experience.

Accustomed to receiving recommendations based on their past purchases, wish lists, and browsing history on Amazon, consumers are now expecting the same experience from other retailers—whether they're shopping online, in store, or via their mobile phone.

Using sophisticated algorithms, retailers can not only leverage their customers' purchase history, but also combine it with big data analytics, such as weather forecasts, local events, or social media trends, to improve the relevancy of their purchase recommendations.

Once retailers know what makes consumers tick, they can send them personalized promotions via email or geo-targeted push notifications on their mobile phones. This practice is destined to become more popular with the widespread use of beacons in shopping malls and advances in behavioural analysis.

That's not to say that retailers should eliminate all forms of in-store human touch. Quite the opposite. According to a study by PwC Consumer Intelligence Series survey, 82% of U.S and 80% of Canadian consumers want more human interaction in the future.[7]

In this context, the role of the store associate is not destined to disappear, but rather to evolve. Empowered with the right information at any time, engaged frontline employees can play a key role in delivering a memorable customer experience.

Focus relentlessly on improving customer experience

Conclusion

Over the past decade, significant shifts in technology and consumer purchasing behaviour have radically changed the face of the retail industry. Iconic department stores have filed for bankruptcy and new entrants have emerged.

Meanwhile the gap between retail giants that are turning vast amounts of data into actionable insights and slow adopters is only getting wider. Some brands are already adopting AI-powered intelligent automation to better serve customers.

That said, the question may not be so much what machines can do faster than humans, but rather how algorithms can enhance the judgement and intuition of experienced individuals.

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About

ACCEO Retail-1, a division of Harris, is North America's leading developer and provider of retail enterprise software.

The **ACCEO Retail-1** comprehensive software suite provides retailers with a dedicated, one-source enterprise solution that manages every aspect of the retail supply chain, from bricks and mortar through e-retailing.

Since 1983, **ACCEO Retail-1** has been partnering with retailers to help them optimize operations with leading-edge, innovative technology, designed and developed specifically for their industry.

With advanced functionality that ensures the unification of all retail processes and operations, **ACCEO Retail-1** offers POS, Merchandising, Business Intelligence, Inventory, CRM, E-commerce, and more.

For more information, visit our website at **retail-1.acceo.com** or contact us at **1 888-474-2001**.

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