HOW-TO GUIDE

# How to Optimize Retail Operations With Analytics

Discover the five steps to improving retail operations by enabling timely, data-driven decisions.

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TARGIT

What does it mean to be a data-driven retail business? Retail businesses live and die by their numbers. The success or failure of a business in the crowded and complex marketplace comes down to whether your company can meet goals, effectively control inventory, and maintain sales.

Small changes in strategy can create big impacts in the bottom line. Change the positioning of a product relative to other complementary products on store shelves and you may increase sales for all. Or order too much of an item that doesn't sell and you're suddenly saddled with expensive stocking costs. With such a slim margin for error, every decision must be based on data that points to success.

No industry rides the waves of trends more than retail. Consider the prominent U.S. fashion brand J. Crew. In the early 2000s, J. Crew catapulted into women's closets across the country with their lower cost take on high fashion. It was as if consumers couldn't get enough sequins, ruffled collars, or chunky costume jewelry. Until, seemingly overnight, they could. Today, the company is battling increasingly slumping sales, a hefty debt load, and a shakeup of company leadership that has the retail industry wondering if this is the end of one of the most highly sought after brands as they know it.

Only a comprehensive data-driven strategy can help retail companies respond to changing trends proactively to ensure they stay ahead of the curve and aren't passed over and left to languish like all that chunky jewelry in the bottom of a jewelry box. Data isn't just numbers generated by operations. Rather, it is the underlying rationale behind a company's entire direction.

Fostering a data-driven environment means monitoring and measuring everything, and scouring that information to determine what's working and what isn't. This sounds a lot like drinking from a firehose, and without the right tools in place to translate that data, it can be. In this eBook, we'll

teach you how data-driven retail companies harness the data they need with the right tools for the job and the right corporate mindset to use them.

# STEP 1

## DETERMINE WHICH METRICS MATTER MOST

The first step on the journey to data-driven optimization is determining which metrics you should be monitoring. In other words: what questions do you need to answer? We're not talking about those burning questions only a clairvoyant could answer, like what next holiday season's new hot ticket item will be. Or how to sell more cars. Why aren't artichokes selling as well? Rather, the tangible business problems that can be solved with the right insight.

Think of the data that makes up your business intelligence as consisting of cause and effect factors. Those two factors are leading indicators (cause) and lagging indicators (effect). According to Gartner, 80 percent of companies around the world only measure their lagging indicators. In other words, they don't know what impacted their results or what to change to improve going forward. The go to unlocking full insight is in measuring both leading and lagging indicators.

Defining the metrics that matter most to your company strategy prevents information overload and ensures employees are focused on the most critical key performance indicators (KPIs). This important first step is often where we see companies struggle most. Many try to focus on too many different metrics without focusing on those that truly matter. Additionally, companies' desire to harness big data is increasing, but most aren't sure where to start with a big data project.

Our best advice is to start with your goals or the key results that

determine your success. Once you know those, you can work your way back to a strategy by clarifying the activities that have the largest impact on reaching those goals. With the objective in mind, it becomes easier to filter the important data from the not so important.

## SOME QUESTIONS TO HELP GET YOU STARTED

- How do your chosen vendors and distributors effect turnover rates across your locations?
- How does each new product introduction effect the sales of existing product lines? Is it the same at every location?
- Are you keeping more inventory on hand than you need? How can you reduce your inventory requirements?
- Where are the hiccups in your supply chain? Can you apply what you know about one location's supply chain to correct problems in another location?
- Can you more efficiently distribute manpower among your locations?

Questions create questions during this process of determining the right KPIs. Often, answers to one question lead to further questions about why the numbers are what they are. The right analytics platform will help you dig down to the details to reveal the why behind the what.

Monitoring the right KPIs are only the first of several steps in building a data-driven retail organization, but every further step relies on these figures for success. Bad decisions are the direct result of bad data, so choose your KPIs carefully.

Which areas of your business are most critical to your success, and how can a better understanding of the metrics provide better results for your company?

Download the free guide to help you determine the right KPIs for your company.

## METRICS THAT MATTER

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# STEP 2

### GATHER YOUR DATA SOURCES

Now that you've determined which questions you need answering, the second step to creating a data-driven retail company is figuring out where to look for those answers. Every customer transaction, purchase order, return, and exchange generates data that will help you run your business more optimally.

Your ERP system does an excellent job of collecting and organizing this data. ERP systems also offer a simple platform for reviewing raw information, but don't ever mistake your ERP system's capabilities for business intelligence and analytics.

BI platforms have robust visualization, analytics, and predictive capabilities. Just as important, the right BI and analytics system makes it simple to pull in and combine data from outside the ERP system and even the organization to analyze on top of your current data to create a

comprehensive picture of your company and industry.

Users don't have to be confined by the walls of the data warehouse. Advanced tools easily and seamlessly integrate data from outside suppliers, documents from other departments, and vast array of online databases. Mash up data from as many data sources as you need to get to the bottom of your most burning questions in digestible dashboards and analyses, without ever having to undertake the often slow and technical process of adding it to the data warehouse.

Data-driven companies take advantage of the data that's available to them to make better decisions. Here are some of the other data sources you should be monitoring in addition to your ERP system data:

- Customer Relationship Management (CRM) system
- Point of Sale data
- E-commerce data from the company website or outside portals
- Supply Chain Management (SCM) system
- Google analytics
- Marketing automation data
- Direct feedback from customers
- Other internet-based record systems

The answers to your questions lie in all of these systems, you just need the right tool to combine and analyze. Your BI and analytics system does the complex task for translating that data into easily digestible dashboards and reports. From there, you can drill into the numbers at the click of a mouse to find causation, make comparisons, and better predict future outcomes.

This guide will help you determine the best BI strategy for your company's needs.

## BETTER BI STRATEGY

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# STEP 3

### DESIGN FOR EMPLOYEES

A data-driven strategy isn't going to take hold within a company if it isn't embraced by employees throughout the organization.

According to Gartner, more than 70 percent of all business intelligence projects fail to deliver on original business objectives. One of the major reasons is because companies fail to consider who will be utilizing the BI solution and how they work best.

Before you can roll out your data-driven strategy, you must consider what characterizes the users who ideally will be consuming this data. Is he or she an analyst, a store manager, or a front-line employee? Even people from the same department can have vastly different needs for how deep they need their data to go.

Employees' use of business intelligence varies across organizations and functions. Some users will need access to advanced analytical functionally, some need access to a few dashboards and reports through their mobile devices, and others might just need to follow a few KPIs on a flat screen while in the shop. Analyses, dashboards, and reports aren't one-size-fits-all. Each must answer the business questions in a way that makes most sense to those who need to know the answers.

Start by grouping users into predefined roles. In our experience, there are generally four different groups of BI users in your organization you should consider when you work with any business intelligence tool: Information Consumers, Business Users, Business Analysts, and Information Designers.

Each persona progresses along a scale of increased demands for the solution—from the Information Consumer who is only scanning reports to the Information Designer, the master in the interface. The most widely adopted BI solution with the highest ROI will be that with the reports, dashboards, and analyses tailored to each.

Read about who these personas might be in your company, how they use BI, and our recommendations for each in this free guide

## HOW TO ENSURE THE HIGHEST USER ADOPTION RATES FOR YOUR BI

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# SOME QUESTIONS TO HELP YOU CONSIDER EACH EMPLOYEE'S NEEDS

## FINANCE

- *Are prices consistent across all locations? Should they be?*
- *How are my locations doing with cash on hand? Are they roughly even across locations or are some running low more often than others? Why?*
- *Are there other suppliers who can provide our products cheaper, increasing our margins?*

## SALES

- *Are salespeople hitting targets for particular product lines?*
- *Are discounts and other campaigns making a difference in buying behavior?*
- *Are there particular products that only sell to particular consumer types?*

## MARKETING

- *Has a layout change affected consumer behavior?*
- *Are campaigns positively influencing consumer behavior? How can they be improved?*
- *How have recent efforts affected foot or web traffic?*
- *Are product affinity strategies performing differently across locations?*

## SUPPLY CHAIN MANAGEMENT

- *Are distributors meeting their delivery dates?*
- *Do vendors and distributors complicate or simplify the online order fulfillment process?*
- *How long is inventory stored?*

## HUMAN RESOURCES

- *Is each employee generating enough revenue in relation to their salary?*
- *Are vacation and sick day requests reasonable?*
- *Which locations are busiest?*

Data-driven organizations use data to support every facet of the business. Asking the right questions for each department is tantamount to uncovering the data that makes a difference in strategic decision-making.

## STEP 4

### DO IT ON YOUR TERMS

The most commonly cited use of business intelligence and analytics software is “enhanced reporting capabilities.” It’s how the technology is often first introduced into an organization, but it needn’t be the only application. There’s so much more inside an analytics toolbox that can bring new efficiency and elucidation to daily workflows that the question you should start with shouldn’t be, “what can it do?” but rather “what can’t it do?”

Data-driven organizations aren’t confined by reporting cycles and pre-configured KPIs. Business intelligence and analytics operates on your terms. Want to learn more about a figure you saw in a recent report? Have a burning question that doesn’t need to become a recurring KPI? That’s where ad-hoc analytics comes in.

Ad-hoc analytics are what it says on the tin: the technology that allows users to create analyses and reports on an individual basis, rather than relying exclusively in the context of recurring reports.

And just as users don’t need to be boxed in, neither do your analyses. Consider the myriad advantages of easily sharing reports and analyses with everyone who could benefit from insight, both inside and outside

of the organization. Partners, suppliers, and vendors can see how their performance affects the entire supply chain. This promotes more open communication throughout the supply chain and motivates for greater efficiency.

Promote experimentation and give users the freedom to play. True self-service business intelligence encourages experimentation with data on its own. The ability to perform ad-hoc analytics with data outside the data warehouse not only saves significant amounts of time that used to be spent waiting for IT, but it encourages BI users to think outside the box when problem solving.

Analyze across millions of data sources such as flat file formats such as CSV, Excel, or Google Docs; in-house data sources such as ODBC and OData; or incorporate data from some of the world's largest data providers to access data on everything from price development on commodities to demographic information to weather.

*The outside world affects your business; find out how.*

## STEP 5

### CONTINUOUSLY EVALUATE

Don't forget throughout all of these steps that BI is a journey. Knowing where to start is important, but it's also wise to take a step back every so often to evaluate where your company and users stand on that journey to data-driven excellence and how well you adhere to common BI best practices.

It is critical to promote analytics usability and wide user adoption. Take

advantage of training. Only when every user understands the tools in their toolbox can they fully take advantage of the true power of self-service business intelligence and analytics.

Utilize tools such as mobile capabilities and embedding analytics within the platforms that employees already work. This provides access to important dashboards and data to employees no matter where they are, without interrupting existing work flows. This ensures higher user adoption and more positive views of the introduction of business intelligence.

With these structures in place, take the pulse of your company's analytics success often. Measure employee satisfaction and usefulness of these new insights. Are employees getting the most out of your BI investment? Do they need further training? Access to more tools? Are tangible differences being made in the decision-making process?

It's okay to feel occasionally stuck throughout the journey to data-driven optimization, and a proper BI partner will be with you every step of the way to help you along. By proactively working to develop and improve the process, you will create a BI strategy that works for your company's needs and find the way to better, data-driven decision making.

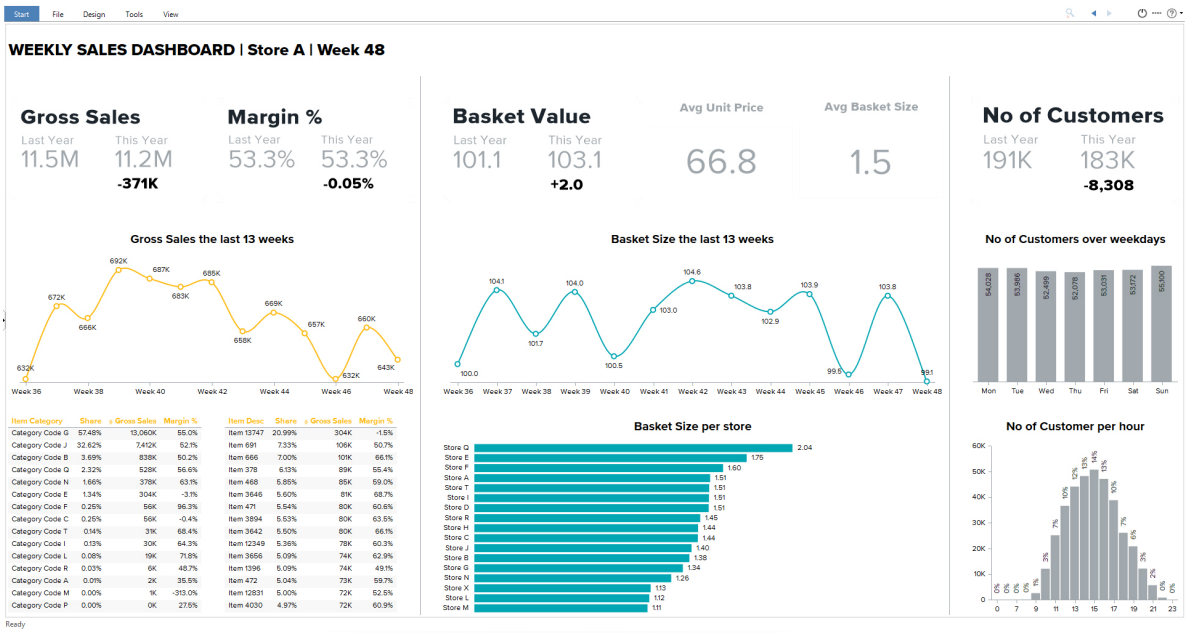
## 10 BEST PRACTICES TO MAXIMIZE THE VALUE OF YOUR BI PLATFORM

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# EFFECTIVE DASHBOARDS FOR RETAIL DATA

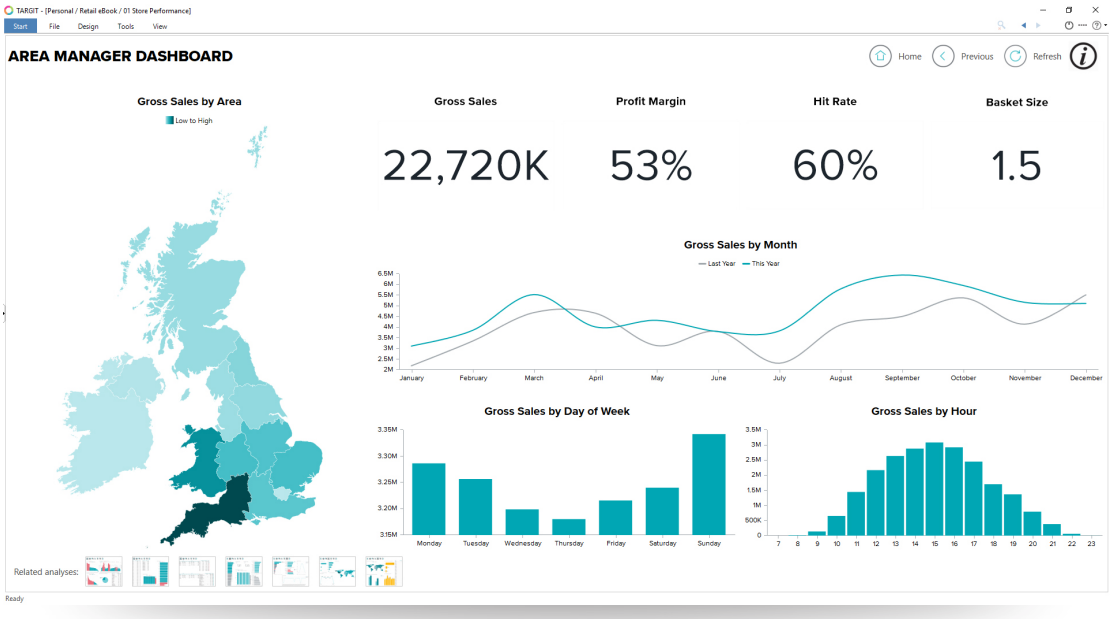
*The data you need delivered in digestible dashboard examples*

## WEEKLY SALES DASHBOARD

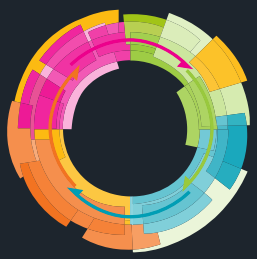



This is an example of a dynamic dashboard of KPI's relevant to retail directors, area managers and store managers. It is a consolidated view of the most common KPI's used by retailers.

## AREA SALES DASHBOARD




This is an example of a high level dashboard for retail directors and area managers. It contains of 2 major KRI's (Gross Sales & Profit Margin) and 2 KPI's (Hit Rate & Basket Size). Drilling on areas across the map makes benchmarking across areas a highly easy-read task.



# Courage to Act