BIG Data

Where's the pot of gold for retail store designers?

By Mindi Trank

Retailers like Target have been generating some commotion about large-scale data analytics. The buzzword is "big data"—an incredibly powerful weapon in the increasingly complex business of retail. Target's pregnancy-tracker story made waves in the industry and has set many a retail executive scrambling to figure out what big data means for their company. Could Target really identify when a female shopper was pregnant before she announced it to the world, simply by tracking her purchases? Apparently, according to a February 2012 *New York Times* article, the answer is yes.

What makes sense for your company and how should you address the big data opportunity *now*?

The few trailblazers that are pursuing its potential are revolutionizing retail—and are seeing a potentially massive payoff. According to McKinsey & Co., a retailer using big data to the fullest extent possible could increase its operating margin by more than 60 percent. Yes, 60 percent!

Despite the potential "pot of gold" and Target's successes, most retailers have struggled to harness and effectively utilize big data when it comes to store design solutions. Companies of all sizes can—and should—analyze internal and external data as quickly and cost-effectively as possible. The key is sifting through the information and separating the insights from the considerable noise. But, not everyone has the resources to capture, organize and understand big data.

It is possible, however, to fuse customer data with company data to not only understand and prioritize growth and competitive opportunities, but also to bring a much higher degree of science to the art of store design.

Yet, more data is not the answer. To generate real value, companies must have the "right" data, thoughtful translations of the insights and the ability to respond with appropriate solutions.

Focused amounts of customer data are being used to explore various concepts, shopping priorities and category growth opportunities. It then becomes possible to link this customer data with actual financial data to calculate the value of those various retailing decisions. This allows more rigorous, fact-based decisions to be made by channel, customer type, competitor and even design concepts.

For example, one (unnamed) retailer was able to identify and quantify categories that offer the greatest growth potential from existing customers. To take it further, the retailer could then identify which competitors are most vulnerable in those key categories and design solutions to capitalize on those opportunities to gain share.

The retailer was not only able to identify categories that offered the most profitable growth opportunities, but also categories to be edited, maintained or leveraged. The retailer expanded two strong categories, maintained core categories and edited assortments in categories that offered less opportunity.

Based on monetizing competitive and category opportunities, the retailer was then able to make strategic decisions regarding space allocation and merchandise mix within the context of the new store design.

The financial impact was significant. The analysis enabled the retailer to increase sales by more than 20 percent, while also increasing gross margins with an enhanced customer experience.

Today, retailers can use data more effectively to make strategic decisions that begin with the customer and result in a more rigorous design process. Analytics-driven design can heighten key touchpoints during the customer experience while increasing sales profitably—now that's big!

—Mindi Trank is vice president, brand and consumer strategy for Columbus, Ohio-based Chute Gerdeman, which has produced a new report about the fusion of quantitative research, store design, technology and experience to get action and results. The report will be available at Chute Gerdeman's exhibit in the Design Inspiration Showcase at GlobalShop 2013, or you may contact Whitney Kyle at wkyle@chutegerdeman.com for a copy of the report. **DDi**