

## BI in Retail Sector

## Overview of Presentation

- Complexities of Retail Sector
- Role of Business Intelligence in Retail Sector

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## Complexity of Retail Operations

- **Product complexity**
  - multiple SKUs, Seasonality, Variety, dynamics of each product category
- **Supply chain challenges**
  - multiple outlets and channels, high frequency replenishment (Time & shelf-life issues)
- **Scale complexity**
  - hundreds of million of Transactions per day, millions of customers, thousands of outlets
- **Business Process complexity**
  - complex business processes that support this environment, multiple touch points across players in the value chain

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## Retail Challenges

- Become more effective and efficient on the supply side,
- Become more customer-centric on the demand side,
- Earn and keep the loyalty of ever more fickle consumers, and
- Increase their rate of change to new levels.
- ***How should Retailers face these challenges?***

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## Business Intelligence

- **The goal of BI** is to deliver actionable information to all stakeholders. (i.e. right information to right people at the right time)
- **BI includes software for**
  - tracking,
  - analyzing,
  - modelling,
  - delivering, and
  - presenting information in support of decision-making and reporting processes.

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## Business Intelligence

- **BI Encompasses** all the data/ information from support IT systems throughout the organisation + any relevant external information
- **Context for BI:** Information delivered to users by BI solutions typically correspond to various performance measures and should support related decisions

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## BI in Retail Context

- What IT systems underpin Retail BI?
- What are the areas of Decision Making?
- Drivers of BI in Retail
- What are the Retail Performance Metrics (KPI's)?
- Is BI important within the Retail Sector?
- Future Role of BI in Retail

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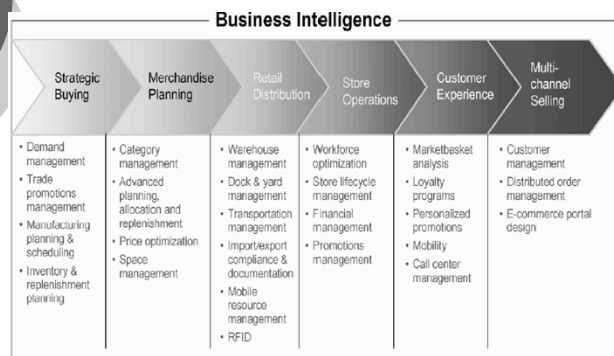
## IT Systems underpin Retail BI

- Two fundamental categories of Retail It Systems
- **1.) Operational and transactional systems** are very good at what they do -- organizing huge amounts of operational data and transactions. It's critical, however, for retailers to understand **what will happen:** what the demand will be for a select assortment of merchandise or which customers will respond to a direct mail offer etc.
- **2.) BI systems** must combine data management (consolidating, organizing, and cleansing huge amounts of disparate data from varying systems and platforms) with predictive analytics (data mining, forecasting, optimization).

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## Area's of Decision Making?



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## BI impact on Merchandising

- *Analysis of past performance, combined with plans and forecasts of future customer behaviour, leads to more accurate initial allocations of merchandise across channels and stores.*
- *"Accurate analysis also results in a more efficient use of manpower in picking, packing, and shipping the first wave of product, while minimizing additional, costly payroll expenses to facilitate transfers between stores, vendor returns, changing signage and labels for markdowns, and otherwise correcting mistakes."*

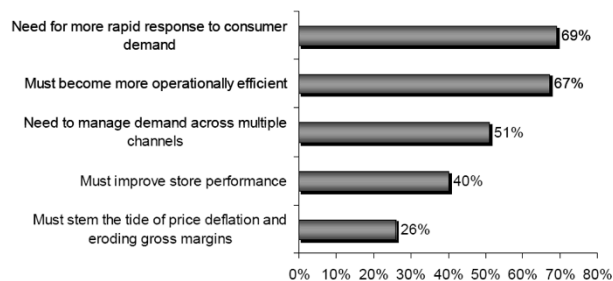
(Quotes taken from interview with leading Retail Manager – crm2day.com)

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## Drivers of BI in Retail

Top factors driving Implementation of BI and predictive analytics



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## What are the Retail Performance Metrics (KPI's)?

- **Key Area's:** Customer, Financial, Operational.
- **Popular KPI's:**
  - Gross Margin
  - Comparable store sales by store
  - Merchandise Turn, Merchandise Optimisation
  - Customer Retention
  - Customer Buying Behaviour – Product Preferences/Affinity & Promotion Participation etc

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## BI in Action

- **Decision Area:** Merchandising
- **KPI:** Merchandise Optimisation
- **Problem:** Want to make better merchandising decision using customer behavioural data
- **Systems Involved:** Sales Transaction Systems, Loyalty Systems, Customer data Systems, Coupon redemption systems etc.
- **Result:** Optimised Merchandising, Store Layout etc

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## Is BI important within the Retail Sector?

- "76% of international retailers in an Aberdeen survey indicated that they use or have active, budgeted plans (within 1 year) to use business intelligence (BI) in some form or another within their organisations." (Aberdeen Group, 2006)
- "BI systems help retailer understand their consumer and then allow retailers to link that insight into every decision that is made, from merchandising to marketing to distribution to store operations to finance, so that retailers can predict how best to serve their customers' ever changing needs and desires." (www.crm2day.com)

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## Future of BI Retail – Trends

- Retailers must let **customer centricity** drive further BI investment.
- **Predictive analytics** is a key component of the new era of business intelligence, helping retailers understand future trends based on past performance and missed opportunities.
- The **typical demographic of a BI user** is expected to be extend beyond analysts and power users, reaching departments and empowering employees lower down the hierarchy.
- BI will cement its place at the **helm of retail decision making**

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