



How Retailers Use Data in Uncertain Times



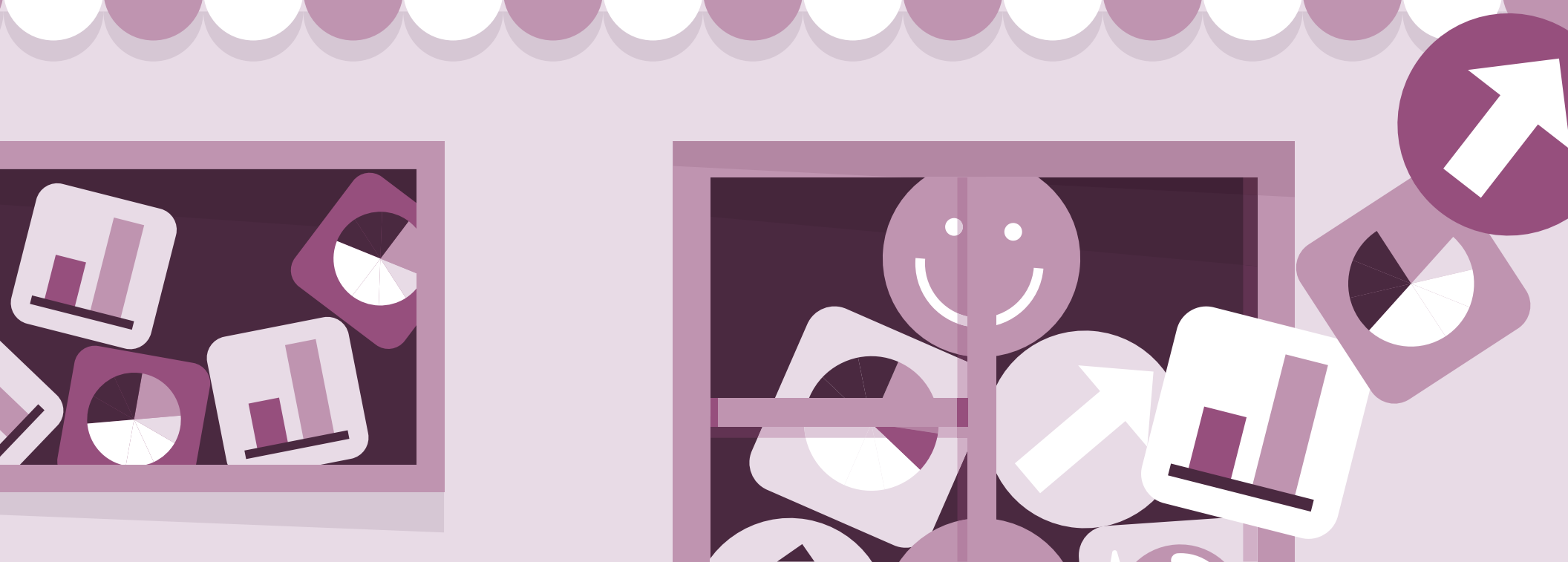
INTRODUCTION

Economic Uncertainty

It is no secret that there is economic uncertainty that is running through companies' minds as they make decisions on the future. Retail companies everywhere are experiencing budget cuts, shedding unneeded tools, and defining roles more clearly so that the loss of revenue is minimized as much as possible. What's just as important as looking at your finances is making sure that the tools that you currently have are able to help you optimize and get the most out of your data so that you can make the best decisions to drive profitability in this economically uncertain time.

In this eBook, we'll explain multiple ways that Sigma can help you optimize and better produce results for your retail company.





Data opens doors (and can keep the doors open)

While some existing retail systems produce massive amounts of information, retailers often lack the analytics necessary to adequately interpret that data. Additionally, some stores have limited their use of big data to “one-off” projects, making it difficult to fold results into ongoing strategies. To succeed, retailers must apply data analysis to more aspects of their work on a more frequent and local basis. For a data-driven strategy to work, it must include everything a store sells, every touch point, and every customer.

A comprehensive strategy takes into account layout, how shelves are configured and stocked, seasonal items, and new brands or SKUs, among other elements. Retail merchandisers live at that critical intersection between retailers and consumers, supply and demand, inventory and marketing. Savvy retail merchandisers are uniquely positioned to help their organizations navigate through economic uncertainty, mitigate losses, and even increase profits.

3 Adaptable Plays

How retail merchandisers can execute to help their organizations weather any storm and come out on top





Product Affinity & Market Basket Analysis

WHY IT'S IMPORTANT

These analyses enable companies to deliver targeted marketing campaigns by identifying and tracking customers who have bought similar products or have a purchase coincidence. This, in turn, can help increase ROI for a company on their campaigns and make the customer experience better at the same time. This also empowers effective cross-selling by constantly checking whether the purchase of one product increases the likelihood of the purchase of other products.

WHY IT'S HARD TO DO NOW

Overwhelming, siloed data - purchase history, transaction-level data

Low Detail- not being able to look at the lowest level of detail for inventory levels

Compute power - thousands/millions of products and thousands/millions of rules

Scalability - PoS data as they happen, busy periods

Time to Value - doing all of the above and presenting timely, relevant insights to decision-makers

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Product Affinity & Market Basket Analysis (Con't)

HOW TO DO IT MORE EFFECTIVELY

Make use of real-time data to deliver the most powerful insights as they unfold

Integrate data into a cloud data platform (Snowflake, PoS data, Online transactions)

Combine with 3rd party datasets for even more impactful insights (Weather data, Partner data)

Analyze data and form data insights

Item pairs that commonly co-occur should be placed close together within broader categories on the website. This is especially important where one item in a pair is very popular, and the other item is very high margin.

Long lists of **rules** (including ones with low support and confidence) should be used to put recommendations at the bottom of product pages and on product cart pages. The only thing that matters for these rules is that the lift is greater than one.

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Examine a larger window of time/history



Examine “add to basket” activities, or unsuccessful or incomplete/abandoned checkouts



Identify actions customers take when items are out of stock



Product Mix & Placement

WHY IT'S IMPORTANT

Your product mix is important in determining the image of your business and brand, as it helps you to maintain consistency in the eyes of your target market. When you have effective in-store product placement, you can boost brand recognition and maximize sales.

WHY IT'S HARD TO DO NOW

Product selection expanding rapidly, difficult to determine how to optimize a space for profitability when SKUs are constantly changing

Online purchasing plays a greater role

Trending products can become very popular, very fast, but also the opposite

Disruptions can affect the supply chain and alter supply availability

Requires the ability to **self-serve**, potentially down to the individual store level

Target segment analysis is necessary to determine to understand what customers will want

Incorporating external data like weather, cultural and holiday data, etc, can make or break it



Product Affinity & Market Basket Analysis (Con't)

HOW TO DO IT BETTER

Empower each location to self-serve data about the customers in their region to tailor displays for that audience

Use analytics to adjust sales data to account for differences in individual stores' merchandise mix as well as for out-of-stock and seasonal items

Group locations that sell similar items into clusters using sales data aggregated by attributes such as brand, size, or flavor. This makes it easier to recognize patterns across similar stores, leading to more accurate predictions of future sales at individual stores

Make stocking decisions based on common data points such as enterprise-wide sales over time, individual store sales, cost of goods sold, and stocking costs. Analytics can help uncover less common data that can be just as valuable

Use customer transaction data to measure incrementality, or how much an item in the assortment increases sales and margins compared with a similar item

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Floor space planning is based on historical sales data and sales forecasts. To optimize it further, **retailers can use past transaction history** to determine and estimate the difference in profit that one product category generates per square foot in a particular space compared with what another product category would generate in the same space



Determine the most popular SKUs from last year's holiday season and use similar items in this year's main online and in-store displays



Recommendation Optimization

WHY IT'S IMPORTANT

Recommendation optimization engines can increase conversions, customer retention, and engagement while also reducing the transaction costs of finding and selecting items. A good recommendation optimization engine also offers a more personalized customer experience which has become increasingly popular among Gen Z and Millennials.

WHY IT'S HARD TO DO NOW

Many recommendation rules can be automated, but the **results of automation can be mixed.**

Human merchandisers can identify trends and match items that pair well with them, creating more granular rules to accomplish specific business goals, such as moving remnant stock or slow-moving inventory, etc. But it's **difficult to personalize this at scale.**

Different types of users at different stages of the customer journey call for different types of product recommendations, and identifying the right opportunities to recommend the most **appropriate products for the user** can either amplify the visitor experience, push the visitor to purchase, and increase the total purchase value, or dissuade and distract the visitor.

Difficult to incorporate **external data** like weather, cultural and holiday data, etc.

Customer 360 view is beneficial to understanding where buyers are in their journey.



Recommendation Optimization (Con't)

HOW TO DO IT BETTER

Make use of your complete customer 360 data to build better marketing campaigns, increase engagement, and increase the overall customer experience.

Optimize recommendation rules based on specific page context and personalize based on location in the customer journey to maximize potential revenue:

Home page - most new visitors will arrive at your store through the homepage use:

MOST POPULAR PRODUCTS

BEST REVIEWED

NEWEST

Product pages Use Product affinity and market basket analysis to display related items like:

FREQUENTLY BOUGHT TOGETHER

SIMILAR PRODUCTS

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Use external data to build rules based on current weather/climate (storm predicted? Add umbrellas to the homepage)



Analyze % of SKU purchases that are **returned** and stop promoting these

Cart pages - Encourage impulse buys with:

FREQUENTLY BOUGHT TOGETHER

UPSELLS

CHEAPER ITEMS IN PRODUCT MIX

New users Because you have minimal data - go with generic:

MOST POPULAR

TOP-SELLING

BEST-RATED

Loyal shopper/Purchase history - Try Personalized recommendations:

RECENTLY VIEWED

RECENTLY PURCHASED

Seasonal shopper

SIMILAR PRODUCTS

SEASONAL FAVORITES

Navigate Through Uncertainty With Data

In an ever-changing retail environment, retail merchandisers are in a unique position to use data analytics to improve their store's bottom line, no matter what disasters may strike. By gaining a deeper understanding of customer preferences and shopping habits and optimizing floor space, product mix, and other elements, they can increase sales, improve customer satisfaction, and maximize profitability to successfully become data-driven requires a culture shift. Cross-functional teams of merchandising, planning, and pricing personnel together must work together to add the right data tools and enable real-time collaboration without adding complexity.



NEAR UNLIMITED SCALE AND SPEED

REAL-TIME ACCESS TO LIVE DATA

SELF-SERVICE ANALYTICS

