

ANALYSIS

Information about shoppers is plentiful, but not all retailers are tapping into the data that can make a difference. By **David Burrows**

The big data goldmine still waiting to be exploited by retailers

Make no mistake about it – data is one of the retail industry's most critical assets. Hailed as “the new gold for retail” by German fashion retailer Otto, big data is key to dramatic improvements in margins, sales and return rates.

Otto has had “incredible results” from using predictive data analytics, including “dramatic improvements in margins, sales and return rates”, supply and category manager Michael Sinn told the audience at this year's Retail Week Live conference.

Everything from competitors' pricing and the weather to historic transactions and market trends is churned over by computers using algorithms, rather than humans armed with Excel spreadsheets.

“We have more than two million different items, so no-one can do that kind of forecasting by hand,” Sinn said.

“And because ecommerce is so transparent, we also have to have competitive prices every day.” Otto uses Blue Yonder's dynamic pricing technology to better meet the prices that its customers want and accept.”

At Shop Direct, investment in big data and technology is also starting to pay off. Group chief executive Alex Baldock said as much when reflecting on a 78% surge in full-year pre-tax profits.

“We've made some huge strides in recent years when it comes to personalisation,” explains Shop Direct group ecommerce director Jonathan Wall.

Using a new decision engine developed with SAS, Wall says: “[We can] achieve real-time personalisation of the products we serve up to customers based on their browsing habits, what they've purchased previously and a whole range of other factors. So if our customer is looking for a pair of jeans, we can instantly serve up the best selection of jeans, picked just for them.”

Get this right and it can certainly pay off. Amazon's ‘similar product’ recommendations are said to boost sales between 10% and 30%. Get it wrong and the consequences can be severe.

Research just published by Ometria shows that almost half of Brits (46%) would ditch their favourite brands if they felt they didn't understand them as a customer or failed to make smart product recommendations based on their personal preferences.

Each year, customer experience-related expectations have been going up, and this ever-building pressure is forcing retailers to identify strategies to improve the way they can make each customer feel special, says Ometria chief executive Ivan Mazour. “The only solution is data.”

Data-driven decisions

Some have already been crunched by the data revolution – BHS being the most notable recent example. “We have masses of data, we have some knowledge, but we have even less intelligence,” chief information officer Tony Perks admitted in April. “There is a proliferation of data; making money is about data.”

The challenge for traditional bricks-and-mortar retailers is that their customers – accustomed to product recommendations, rewards and offers being tailored to their tastes and preferences when shopping online – want that same experience in a physical store. “This is harder to achieve, but it has the potential for the greatest rewards,” says Visa Europe managing director for UK and Ireland Kevin Jenkins.

Argos is investing in a new platform to explore how to use data in different ways – from understanding activity around key trading times such as Black Friday and when people do what, to tailoring promotions and enticing more customers to use its fast-track delivery.

“We want more [customers] to use it because it's a key differentiator for us,” says Argos customer analysis controller Nick Davies. Big data can help Argos “overachieve” in consumers' eyes, he says. “So, if we know that there is a fair bet that a customer will want product Y to go with product X then we can offer them the benefit of both products in a bundle or promotion mechanic.”

The retailer also has high hopes for e-receipts in a project it is working on with Yocuda, which Davies sees as a “good value exchange”. Argos will have better visibility of in-store shopping habits and preferences in order to develop a more comprehensive view of the customer, who in turn will have a more seamless experience from purchase to returns.

In contrast to Argos, OC&C Strategy Consultants is discovering many fashion retailers are still unconvinced of the impact of

For more technology news and analysis, visit Retail-week.com/Analysis



How is big data being used in retail today?

Experts suggest that effective use of big data has been steady rather than startling, so far. Accenture research, published last month, found that the number of UK shoppers who believe “having the ability to check product availability online prior to going to the store would improve their experience” increased from 33% to 44% in the past year. But only 40% of retailers currently offer this capability.

What's more, 38% of UK shoppers want to receive real-time promotions, but none of the retailers surveyed could provide it.

“This is a contract that retailers and consumers are both finding our way in,” explains Marks & Spencer head of enterprise analytics Pete Williams.

Machines learn fast and the more data they crunch, the more accurate their predictions become. It's hardly surprising that this level of insight has attracted attention.

“As we turn our backs on bricks-and-mortar shopping, the landscape that greets us is a cul-de-sac in which our desires are second-guessed and swiftly sated,” is how *The Guardian's* Catherine Shoard recently described this era of ever more sophisticated algorithms.

Data experts such as Blue Yonder founder Michael Feindt feel it is the only way to go. “By using advanced machine learning algorithms ... retailers have achieved up to 90% reduction in out-of-stock rates and a 15% increase

in revenue through replenishment and price optimisation solutions,” he says.

But handing power over to the machines is something that data specialists are often more comfortable with

‘If I present the data in the right way, then people can make a common-sense decision that is driven by data’

than retail staff at large. “If I say to someone that I'll empower you to make a data-based decision, they are like a rabbit caught in the headlights,” Williams admits.

There's an “internal marketing” job to be done, he observes. “If I present the data in the right way, then people can make a common-sense decision that is driven by data.”



“Our new decision engine is helping us to achieve real-time personalisation of the products we serve to customers. So if they are looking for a pair of jeans, we can instantly serve up the best selection picked just for them”

Jonathan Wall, Shop Direct

large-scale data capture. “However, we are seeing some developments,” says partner Tim Cook – “clever” tracking of what adjectives work best to advertise certain products online, for example. One recent study showed that words such as ‘pretty’, ‘sexy’ and ‘detailed’ were consistently descriptions for the most popular items. “There are pockets of activity but it's still embryonic,” Cook says.

Marks & Spencer's new big data platform is already helping the retailer to make “better and faster decisions”. M&S's website, 1,200 stores and banking and insurance arms give head of enterprise analytics Pete Williams and his team a much richer understanding of customers – “beyond the pure-plays” – but that also brings challenges in terms of how to collect and present the data.

M&S isn't alone in grappling with the levels of data at its disposal. The trick for retailers is to

prioritise the stuff that will deliver the most value to their business and then direct their people power to the most important and useful data in order to make sure it is interrogated and used as effectively as possible.

Williams explains: “Just putting all your data in one place and telling the business it's there to use won't result in pounds falling out of the back end. You have to make it relevant to the decision-makers.”

This could be the start of a “new wave of activity”. Personalisation and contextualisation will undoubtedly remain key trends, but after an initial burst “optimising the hell out of things” – as OC&C's Cook puts it – retailers are now looking to increase their capability to implement more systemic, data-driven decision making.

“[This may] not be as sexy, but it may be more fundamental to how retail businesses change,” Cook concludes.