# FROM PUSH TO PULL

Using Data Insights to Drive Retail Excellence

By Alliston Ackermkan and Alarice Padilla, November 2012

Company X is getting a much deeper sense of consumer demand. After selecting a demand-sensing solution, this everyday apparel maker is helping to transform itself from a push-based to a pull-based consumer brand.

With the velocity demand signal repository (DSR) from vendor managed technologies Inc., or VMT, , Company X intends to increase sell through performance and inventory visibility from the time of shipment through store-level scanned sales at the register. It aims to "facilitate a consolidated view of our customers across all departments," according to the, Vice President of Technology at Company X. They also reveal that "speed is critical when dealing with ever-changing consumer demand." Company X currently receives Pos data by SKU, by store, by week (or by day, in some instances) from retailers that make up about 70 percent of its U.S. retail business. Velocity is the DSR solution Company X now utilizes to manage and harmonize its Pos and inventory data. In order to analyze and use that data, Company X leverages Microsoft Analysis services cubes for adhoc reporting, tableau for advanced visualizations, and other statistical and GI's (geographical Information system) tools, according to Santiago Restrepo, Director, Business Intelligence & Analytics, Company X.
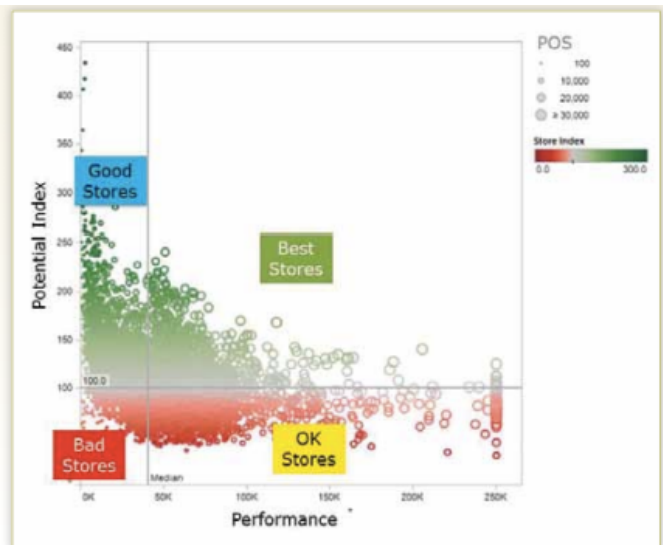
Good Proximity

Getting Pos data by store facilitates a proximity analysis. "By performing a proximity analysis, we are able to calculate the distance between retailer's stores and their competitors, and understand if the performance is different," Restrepo explains. "For example, we realized that the stores of retailer x, that were closer to retailer Y, were performing worse than the stores that are distant. This enabled us to pay special attention to these stores and improve their performance by changing some of the marketing drivers such as assortment and promotions."

Another useful application of proximity analysis for Company X is to understand the performance around a major mall. The challenge is that not all stores are specifically inside the mall; for example, mass retailers are usually close to a major mall and therefore, are part of the same mall 'ecosystem.' "By doing an ecosystem analysis, we were able to determine the stores that were close to the major malls and analyze the whole mall ecosystem," says Restrepo. "We were able to understand how performance was different based on the mall's composition and competition, and take the appropriate actions."

Consumer Segmentation

Several processes at Company X have benefited from having accurate POS data by store, leveraging a "consumer segmentation schema", a system that classifies all U.S. households into consumer segments, based on demographic and lifestyle characteristics, and implementing advanced analytics methodologies. Here are a few examples:

Store Assortment Optimization:
With a consumer segmentation schema, Company X was able to create a consumer profile for a specific product or behavior, and determine the best stores for that specific product/behavior. "For example, if we are launching specific apparel for sport A, we can get a consumer profile or index of each segment on sport A," says Restrepo. "Using the consumer profile, we can analyze all the customers around every store, and determine the best stores to place our sport A products, or do promotions. Implementing a methodology like this usually increases sales per store about 300 to 400 percent.

Test and Control:
A traditional consumer goods company's retail tests often look at whether sales increased or not, and only at the stores where the test was performed. "Unfortunately, external factors like seasonality, competitor's actions, etc., usually clutter the analysis and make it difficult to evaluate the effectiveness of the tests," Restrepo explains. "The methodology we developed uses a clustering algorithm to define 'similar/control' stores, and compares their performance to the 'test stores'."

Forecasting:
Rather than basing forecasting on orders or shipments, which have a lot of fluctuations due to the retailer's inventory adjustments, Company X is changing its forecasting processes to be more based on POS, resulting in "being able to increase the forecasting accuracy and providing better service to our retailers, while decreasing our inventory levels," maintains Restrepo.

So what's next for Company X' demand-driven future? "We've been successful in getting the data and building the systems and processes that enable our retail and marketing analytics practices," maintains Restrepo. The next phase, and the most difficult one, according to him, is "change management." that's when "our sales and marketing organization will embrace and utilize the new analytical tools and systems, making them part of their day-to-day job," he states. Another upcoming challenge will be to get retail buyers to understand and implement the new analytics methodologies. "Right now our focus is on embedment, training and usage increase. We've made a lot of progress, but have a long way ahead of us," Restrepo concludes.

"Having 'Performance' and 'Potential' for each store, we can understand how a store is performing and take specific actions. For example, the action we take on stores with high potential, but low performance, is likely investing resources, while we won't invest resources on stores with low potential and low

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DSR Best Practices
For other CG companies looking to implement a DSR, Santiago Restrepo, Director, business Intelligence & Analytics, shares his top tips:

• Do not underestimate the importance of "master data management" – i.e. SKU's, store, and product attributes. "Having the right product attributes and hierarchies and clean store lists that are constantly updated is very important,"

• Do not underestimate the complexity of POS/sell-thru data, which should be clean and, in order to be actionable, very detailed (by SKUs, by store, by week/day).

• Embedment should happen at both the executive and manager/analyst levels, and needs to be properly resourced.

• Dashboards must be tailored for specific functional areas. "building a generic dashboard that is good for everyone, but perfect for no one, is not going to be used as much as one that is tailored for the specific needs and requirements of a specific business group," he explains.

• Recurring "insightful" business updates, from data coming from the DSR, are necessary to demonstrate uses and to trigger ideas.

• Employ a system that is flexible and fast. Users expect the reports and queries to come back in a few seconds, not minutes. It should also be user-friendly.

•Follow best practices in data visualization. Stephen Few and Edward Tufte are two of the go-to gurus for data visualization, according to Restrepo.