

# Intelligence: Driving the Next Phase of Retail



**The retail sector today is undergoing massive disruption as retailers adapt to changing customer expectations and a sales landscape that is constantly growing in breadth and depth. The impact of digital technologies and global competition are just two of the many forces impacting retail—for better or for worse, depending on how retailers respond.**

Many of the forces impacting retail have been around for a few years, each leaving its mark on the industry in its own way, but, in 2019, their influence will be too much to ignore. Retailers, therefore, must work more intelligently to survive and thrive.

As such, the retail sector must harness the power of intelligence to deliver insights that can help respond to changing market conditions, predict sales and trends, and increase customer loyalty by providing personalized experiences, both in-store and online. Business intelligence and data-driven analytics are two of the technologies advancing the booming trend of intelligent retail, helping retailers understand and benefit from today's digital-focused, omnichannel sales environment.

## **Forces Impacting Retail Today**

Consumers are driving many of the changes in retail as their expectations are constantly evolving. Their reliance on mobile devices is a major factor:

in 2018, it was expected that 63.5 percent of total online sales would be done via mobile devices, with that number projected to rise to nearly 73 percent by 2021.<sup>1</sup> Increasingly consumers are expecting a seamless experience across all platforms—desktop, mobile and in-person. They want the ability to begin shopping online and continue or conclude at a later time, either online or in the store, with their selected items waiting for them when they're ready to buy (or pick up if they've already made their purchases).

In the United States today, four in 10 of shoppers use “click-and-collect”—purchasing online and picking up in the store—to purchase goods ranging from groceries to appliances, with Millennials showing a particular affinity for the sales model. In fact, more Millennials prefer to pick up groceries ordered online instead of having them delivered.<sup>2</sup> That said, 36 percent of retailers don't have a website or a mobile app that enables online shopping, and 33 percent are unable to support click-and-collect.<sup>3</sup>

What's more, the increase in global competition is forcing retailers to work harder to understand their customers and provide a more personalized experience. Indeed, personalization is critical in forging and maintaining customer loyalty. According to one report, return customers make up only about 12 percent of a retailer's customer base but can account for nearly 23 percent of a retailer's revenue.<sup>4</sup>

Increased competition from “alternative” retailers

such as direct-to-consumer companies are also putting pressure on retailers to stay relevant in today's environment. In 2017, direct-to-consumer sales represented 13 percent of all e-commerce sales, increasing 34 percent over the previous year.<sup>5</sup>

Inside the organization, conditions such as siloed processes and technologies, lack of communication and incomplete information can hamper the success of a retailer to understand and act on market conditions in a timely manner.

### **Intelligence: With Knowledge Comes Power**

A growing number of retail organizations are realizing the importance of intelligence in addressing many of the critical factors impacting their business, both external and internal. The right intelligence can help retailers better understand their market, their customers and their internal operations, as well as the role they play in influencing their business overall.

For example, using business intelligence (BI), retailers can see in which regions or locations certain items are selling faster and then shift inventory to meet demand. Retailers can uncover patterns in sales, inventory and margins to optimize their processes and better forecast future demand.

Also, retailers with multiple locations can use the insights derived from business intelligence to benchmark locations against each other for a more comprehensive view of company performance. Using information such as sales figures, what inventory is selling and how many employees are working at any particular time, retailers can adjust their operations to accommodate the ebb and flow of customers. If a retailer knows it sells the most inventory between the hours of 3 p.m. and 7 p.m., for example, it can schedule more salespeople during those hours and cut back on employees in the morning or later in the evening.

Likewise, understanding what is selling during those peak shopping hours, the retailer could choose to mark down certain items to entice customers to purchase “add-ons” during that time—discounting

blouses 40 percent with the purchase of dress pants between 3 p.m. and 7 p.m., for example.

Business intelligence also can help a retailer streamline its processes to be more operationally efficient and uncover new areas of opportunity. BI systems enable organizations to plan and execute their marketing strategies more effectively—understanding which types of campaigns work best for Millennials versus Generation Z, for example—as

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well as provide insight on how to best allocate their resources. BI also helps retailers better price their items so more inventory is sold at full or almost-full price, avoiding deep discount sales or, worse, discarded or destroyed merchandise.

The supply chain also benefits from BI as retailers harness the intelligence to better manage logistics, including packaging and shipping. For example, rather than have many small units shipped to one location individually, BI can highlight which items can be consolidated into one shipment to save money and reduce the chances of inventory being lost or misdelivered.

In more tech-savvy retailers, business intelligence is being delivered along with data analytics for even more insight. Indeed, data analytics can help uncover problems retailers didn't even know were there, such as a late inventory delivery every other Thursday which is negatively impacting a retailer's

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three locations in a metro area. Data analytics also could help uncover areas of opportunity by analyzing data from internal and external factors—weather patterns in the Northeast, for example, which could spur an uptick in down jacket sales. Armed with that information, as well as the historical buying trends of customers purchasing down jackets and social media sentiment about the product in general, retailers could stock up on extra inventory of certain brands and styles of down jackets to accommodate customer demand and increase sales.

Data analytics are also helpful in engaging customers through personalization, such as recommended items online or even in-store suggestions based on multiple factors, including past purchases, history of returns and social media comments. Amazon, for one, uses data analytics to make suggestions to customers that are related to their searches and purchases. The company also uses analytics to promote items that aren't selling well or driving much revenue, tying them to recommendations to improve sales of those items.<sup>6</sup>

In another example, Walmart is using data analytics to affect real-time pricing on inventory, changing the price of items to reflect consumer demand and to take advantage of market conditions.<sup>7</sup>

Business intelligence and analytics both rely heavily on data from multiple areas, including sales, operations, revenue, inventory and marketing, to provide insight quickly and accurately. Working together, these technologies can enable retailers to make changes that impact the business immediately and in the long term, with an end result of reduced costs, increased customer satisfaction and higher profits.

## Intelligence Needs the Right Infrastructure

Retailers have much to gain from intelligence. However, business intelligence, data analytics and other technologies won't provide their maximum value when run on legacy networks and IT architecture. To reap the benefits of these technologies, companies need sufficient bandwidth, as well as a smart, software-defined architecture. These technologies give retailers more capacity, flexibility and control of business applications across the enterprise—from corporate headquarters to retail locations—which, in turn, means more efficient operations and the ability to keep pace with new and improved customer experiences.

As organizations strive to become ever more digitally focused, they need an environment that supports digital transformation from every point on the network. Hybrid cloud and network environments, SD-WAN and high-speed broadband are just some of the technologies that can enable companies to better manage their business applications across all locations. Meanwhile, networking components such as WiFi and unified communications ensure employees can work anytime, anywhere, with no impact on productivity.

What's more, managed services can help organizations as they adopt new technologies. By tying disparate systems together and "filling in the gaps" both during and after infrastructure upgrades, networks aren't over-stressed and processes are streamlined for IT managers.

Working with a network service provider can help retailers adopt intelligent technologies and embrace new services. Retail organizations, for example, can leverage virtual and physical private Ethernet connectivity to assure there are no issues regarding

network performance and availability for critical applications at all company locations. They also can receive all or some of their most critical connectivity functions as a managed service, including managed connectivity, WiFi, security, voice and business continuity, among others.

## Conclusion

As 2019 brings forth a confluence of issues impacting the retail sector, retailers have no choice but to

address these concerns head on. Utilizing the data and intelligence derived from all points of the organization—both inside and outside—can help retailers better understand and take advantage of opportunities for growth, provide insights to build better customer relationships, streamline operations for better efficiencies and expand their opportunities for future success.

To learn more about how Comcast Business can help, [click here](#).

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