The Data Goldmine…Why does it still remain buried ?

By Puneet Ahuja

The retail sector in India is still to open up its mind to the value of customer related data and the insights that the business can gather about its customer through data analysis. To cause a difference and leapfrog to a paradigm involving relevant, differentiated offerings, what is crucial is a changed attitude at the top level towards priority accorded to data management initiatives across the entire organizational structure.

The Background

With all the noise being made about organized retailing and the great future it has in India, one often wonders at the difference in offerings that one shall be encountering as a consumer. And how soon would these changed offerings become a part of our lives and routine as we go about living our lives. Well, at the current rate most organizations are going at, we have a lot of catching up to do with the international level retailers. While this might not be news, what could be relevant to observe is the gap that exists between the methodologies that some of the international retailers use to ensure that they 'are' organized and appear so to their customers and the methodologies that some Indian retailer organizations are still unaware of.

Consider this – on an average, Wal-Mart mails its offers to its database of over 1 billion households every month with hundreds of product offers for the consumer.

RadioShack, another electronic goods chain in the USA, while embarking on a promotion campaign to improve spends, communicates its offers with 92 million households – upwards of 9 million house hold every month, knows the household composition of its customer classifying them into further defined segments. While mailing, the stores regularly anlayze data related to these prospects by best time of purchase for that prospect, his location and correlation with neighborhood specific data, last purchase by category/brand made and hence predicting future purchase requirements and so on.

How Organised is Organised

The above examples bring us back to a key

Everything seem ingly organized…!

word used before – 'organized'. How organized are our retailers – Are they as organized as the neighborhood kirana store – a trifle touchy but lets understand the typical interactions that one encounters while shopping. It would be interesting to know the difference that exists while shopping. Many of us have recently acquired a liking to go to an organized supermarket for all the weekend shopping – with the shopping list ready and wallet stocked up with the credit / debit card (now commonplace) or cash depending upon personal preferences. Enter the air-

conditioned environ, well-mannered young ushers, slick shopping carts and the shopping list in hand, one checks off the items one by one (occasionally buying more than required/on the list overwhelmed by choice on display) and proceeds to checkout counter. So the big question is – what happens to the neighbourhood kirana store. Is he doomed ? Lets face it – you still like to visit the guy because of his proximity to your home. The bigger, better supermarket is farther away - not always convenient. The kirana store guy in all likelihood also knows where you live and there is a chance that he knows you by name. He also might remember the regular brown bread and the sandwich spread that you purchase almost regularly and the locally-made snacks that you tried out on his recommendation last time. Organized retail in India has all of this buying experience and more except personal interaction. Imagine, how potent the combination would be if organized retail has this information about the customer to begin with. Retailers worldwide have this in varying degrees depending upon maturity levels having gone through a similar learning curve.

Enter T (for Technology)
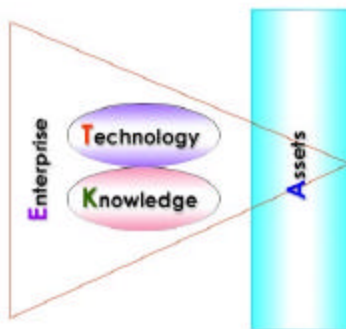
Technology is intrinsic to creating information based

And it is not at all difficult to delve into the systems to create the profile. The organized players have after all more sophisticated systems installed at their end. One might argue that the huge clientele they address is also many times over than that of a kirana store- owner. But that is easily handled by the fact that computing power easily rides over any hurdle posed by data overload – the handling needs to be systemic and structured.

Most retail organizations have started to invest into technology (though rather cautiously and in an extremely conservative manner) whether for streamlining operations – automating routine handling tasks, to more extensive applications that are enterprise wide and hence ensure transparency and consistency across departments. There are ERP players like Retek, Intentia and JDA that have made forays into the retail segment. Other Vendors like Siebel (for CRM) and NCR Teradata and SAS (for warehousing and analytics related applications) are also pitching in hard for their products. One comes across industry buzzwords say in the customer relationship domain - "Relationship Marketing" or "Loyalty Marketing" or "1-to-1 Marketing" or "Permission Marketing" or "CRM" but sometimes forgets to focus on the back end part and where these programs are derived from. One common binding factor is customer data. Similarly, "Supply Chain Analytics", "Inventory Optimisation" etc. form another set of buzzwords that signify excellent initiatives but equally important is the realization of the need to get existent data in place and structure for detailed analysis to realize full benefits.

Having said that, first and foremost is the attitudinal shift that has to come within the organization – and this is best started from the very top. The top management has to believe in the value of data and the power that the business can derive from it. There is immense learning that could dwell upon and benefit the organization provided best practices related to

data acquisition are adopted. The ability to be able to solve problems and construct models that resemble real life situations is entirely dependent on the granularity of data that organizations have captured - or data that exists in systems and that can be cleaned to remove gaps.

Data about the history of transactions that a customer has undertaken tells the marketer something. Similarly lack of transactions by a loyal customer is also a sign of a

Getting into the mind of the customer

change. Data tells its story and while marketing and customer service are other tools to engage with a customer, customer data is a relatively inexpensive tool to know more about the customer. Based on an analysis drawn, you as a retailer would want to take action targeted towards each of your customer to maximize the value of your relationship. Success or failure both in the short term and long term essentially is all about evaluating alternatives and taking the correct decision at most times. In today's competitive scenario, requirements of decision support models are a given in creation of formal structures that one shall witness in intelligent organizations of the future – and retail is no exception. Especially, since retail is also amongst the most data rich of all activities and hence is ideally suited for using decision support models to take the most optimal decisions under dynamic environmental conditions. Models by their very definition are an abstraction of reality. One could construct models that enable scenario building and help support decisions that a manager must take. However, the

biggest roadblock is the lack of data or foresight on part of the management to be able to acquire data for this purpose.

It becomes the responsibility of the top management to instill in every manager and down
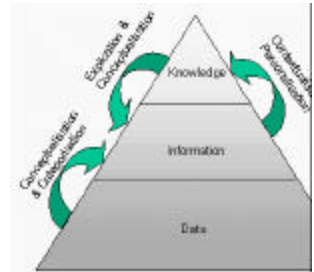
The intelligent enterprise with personalised knowledge shall thrive...

the organizational hierarchy the power of data and what it can achieve once unleashed. This data can be mined to understand - at a simplistic level - who is the customer (what demographic profile your customer belongs to) , what makes him come to your store (and therefore what should be the promotion message for him) , what is it that interests him (and therefore what should the merchandise basket look like) and what is it that has kept him away from your store (therefore uncover customer service failures).

Sometimes lack of familiarity with methodologies becomes the cause of 'I-know-it-all' attitude in organizations. This can cause problems on two counts. One is the lack of proactive measures to seek new and more information about transactions – related to customer, stock movement, merchandising, logistics – everything. The other is lack of pursuit of analytical / data modeling techniques because of the discomfort associated with the black-box approach that modeling tends to be associated with.

The Future – and Data Acquisition

Data acquisition costs are going to be increasingly higher and shall involve greater efforts on part of the acquiring agency. The future shall see most customers being more concerned about their willingness to part with

personal data and managements' need to know more and more about their customers become more acute. This shall lead to an entire new community of brokers who shall be the database providers (third party providers). This and careful aggregation of data about customers, their demographic data, transactions committed by customers and based on that profiles being drawn shall be a priority task with a lot of retailers. Customer information shall therefore prove to be the first level of differentiator amongst retailers and organized retailers. Merely possessing customer information shall not directly translate into benefits to retailers. They must be able to use this information to their advantage and convert it into actionable information or customer intelligence and insight. This shall emerge to be the weapon that some retailers shall use – the other retailers shall be the ones that this weapon shall be used on.

(Puneet works as a consultant with a consulting firm with existing decision support systems in the area of analytics and supply chain. The views expressed are personal and are not to be construed as opinions or viewpoints of the organization, its shareholders or representatives.

In the next few articles, the writer would discuss potential sources of data, the analytics possible with existing transactional data and defining a roadmap for future for the organization in terms of IS landscape as far as the data management strategy is concerned)