

Retail analytics: The secret weapon

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BOOK REVIEW

Cox, E. 2012. Retail Analytics: The Secret Weapon.
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Successful retail business management in today's world demands that an organisation be able to meet the needs of customers while at the same time meeting its other goals including the need to operate effectively and efficiently. Retail analytics offer retailers an opportunity to come up with informed strategies that will help optimise retailing decisions so as to help ensure business success. This paper reviews the book 'Retail Analytics: The Secret Weapon' written by Emmett Cox and published in 2012 by John Wiley and Sons. This seven chapter book offers insights into analytics and how it can assist retail business operations in a variety of ways including demand forecasting, merchandise mix modelling, price and promotion modelling, store location analysis and labour forecasting.

For someone not familiar with the world of retailing and the work of analytics in retailing, the first chapter of the book provides helpful introduction aimed at helping one develop a basic understanding of retail terminology and concepts. The author notes that knowing the correct terminology is key to good retail planning and management. Tied to this is the need to understand how retail businesses are organised. Most retail operations have portfolios such as store managers, merchandise

managers, lead buyers, co-buyers, sales people, stock people etc. Knowing the hierarchical structure of a retail organisation and the tasks associated with its different portfolios is helpful in enabling analytics provide support that is relevant.

At the core of analytics are two activities namely data analysis and communication of meaningful patterns identified. Data used can be internal and/ or external to the organisation. For example, at the Point-of Sale (POS) register, retailers are able to collect data on products purchased by each buyer in a specific store at a point in time and may also contain information on the tender type used as well as identify the specific customer associated with the purchase especially when store loyalty cards or other forms of customer identity are used. Analysis of market basket data collected from retail sales over a period of time can be useful in identifying the kind of products purchased by specific consumers over time, thereby helping in ensuring appropriate use of direct marketing where applicable. At the aggregate level, it can be useful in providing insight into the kind of products people tend to buy together and thus help inform decisions on placing of stock in store. Reading through chapter 2 of the book one develops a better appreciation of the different uses of retail

analytics and associated data requirements. The author makes use of case studies and practical examples to illustrate among others the use of data in real estate site selection modelling, merchandise mix modelling, tracking effectiveness of celebrity marketing as well as performing cross channel analytics particularly for retailers with physical store locations as well as online stores. The author notes that while developments in information technologies and their application in retail operations is enabling retailers collect large amount of data, there are costs associated with data collection and storage. Retailers thus need to be cautious of what they collect, store or discard. In general, it is helpful to have a good knowledge of how one can use available data before mining it and this is where a good understanding of retail analytics can be helpful.

Chapter 3 of the book takes special note of the issue of seasonality in retailing. While most businesses are affected by changes in seasons, retail business operations, the apparel industry in particular, tend to be affected a lot. As one season comes to an end and another dawns, the merchandise associated with the ending season is often put through significant mark downs and this can have significant impact on revenue. Chapter 3 thus provides good insight into how data can be used to help make informed decisions on managing seasonal merchandise and avoiding lost sales and costly markdowns.

Selection of store location is one of the major strategic decisions in retailing. Berman and Evans (2010:250) noted that one of the oldest adages in retailing is that *location, location, location* is the major factor leading to a firm's success or failure'. Chapter 4 of retail analytics provides insight into how geo-demographic data can be used to aid decisions relating to store location as well as gain knowledge on store penetration levels. Geographic Information System (GIS) plays an important part in this regard and the chapter also looks at the types and volumes of data required to make optimal use of GIS tools. Once a store location is decided upon and retail space secured, issues of managing store operations including in store floor design, in store marketing and ensuring optimal use of service personnel take centre stage. Research shows

that one of the important conditions for customer satisfaction in retail settings is the ease with which customers are able to find their way in the store (Sandstrom et al 2008:114). A well planned store layout is widely acknowledged to have a positive influence on the length of time customers spend shopping the amount of goods bought. The role analytics can play in ensuring optimal in-store marketing and presentation is covered in Chapter 5 of the book while chapter 6 looks at, among other things, use of retail data for optimal labour use. Trying to guess the number of associates needed per day, shift or hour can be difficult if not costly. Using data such as that collected at POS registers, retail analytics can enable managers avoid suboptimal use of labour and the costs associated with it as well as ensure availability of enough associates to serve customers at all times including times of pick demand.

While customer satisfaction is important for any business, building customer loyalty is considered more important as it helps ensure that customers keep on coming and buying from a store and not its competitors. It is however not uncommon for customers to have loyalty cards from competition retailers. The question in this case is how can a retailer design and manage its loyalty program so as to benefit customers who are genuinely loyal to it and not only to the discounts offered. Chapter 7, the last chapter of the book, looks at this issue focusing also on how retailers can use retail data to ensure that loyalty programs are profitable and cost effective.

In conclusion, reading through 'Retail Analytics' one gets a good appreciation of how data can be used to enable retailers better serve their customer, build customer loyalty while at the same time increasing their sales and profits. Retail Analytics is indeed a secret weapon to the very survival of any retail business operation and thus a must read for anyone interested in managing successful retail store operations.

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