



“With our online business, there’s a wonderful immediacy associated with making changes in prices or making changes in assortment and recommendations that you can measure quickly. But by the same token, your competitors are also considerably more nimble. It becomes a more challenging and more dynamic modeling environment. It’s easy to find short-term gains. It’s a greater challenge to maintain those gains.”

Shawn Hanna, Director of Financial Analysis
Petco

The Analytics Mandate: Helping retailers evolve

In days gone by, local mom-and-pop retailers had personal relationships with their customers. They knew their names and preferences, and anticipated their needs.

In today’s sophisticated, multichannel retail environment, questions about supply and demand are much more difficult to address. Retailers must focus on product assortments, optimize prices to meet financial goals, and attract and retain customers no matter how they shop.

Using analytics has become the key to success. Analytics helps retailers forecast demand and manage inventory. With analytics, retailers can set everyday prices based on true demand and optimize revenue during markdowns and promotions. Analytics enables retailers to determine which products and offers are most attractive to customers.

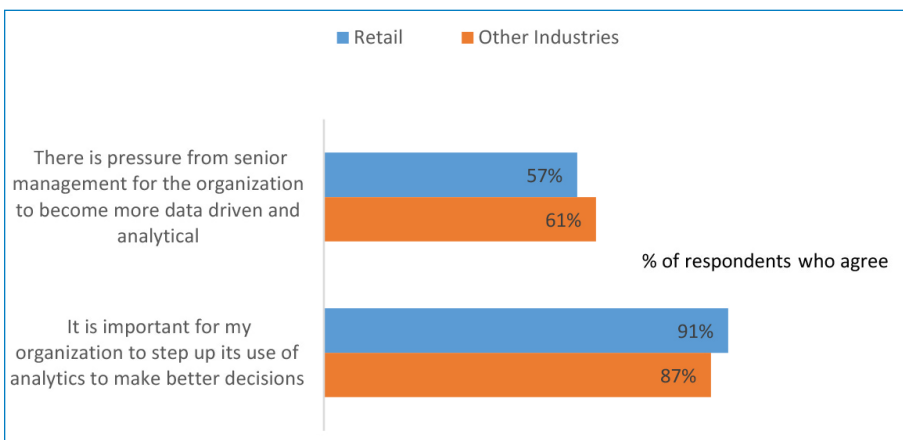
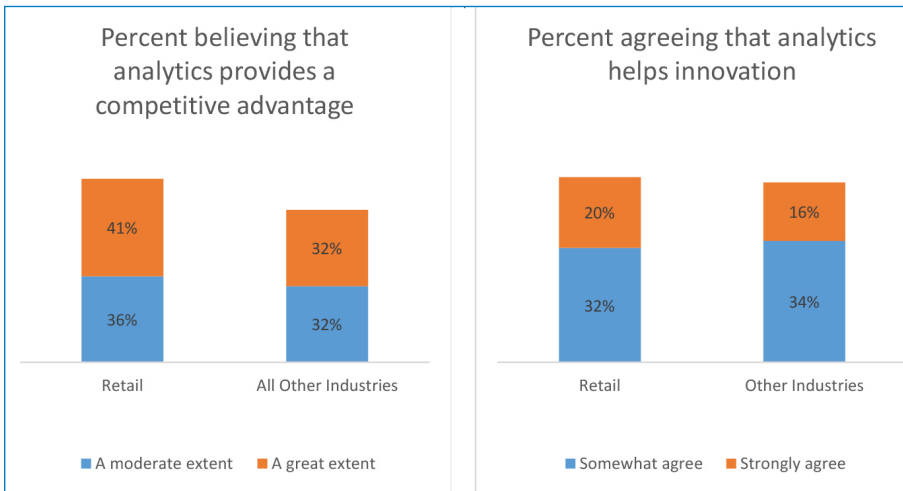
Innovation is the way

Since 2007 and the publication of Tom Davenport’s book *Competing on Analytics*, the adoption and use of analytics has

burgeoned across all industries as more organizations turn to their data to gain an edge. In fact, research from MIT Sloan Management Review and SAS indicates that two-thirds of businesses believe that analytics creates a competitive advantage in their organizations, and 52 percent say that analytics has helped their organizations to innovate.

Retailers clearly agree that analytics provides a competitive advantage. Among the 67 retail survey respondents (a subset of more than 2,000 total respondents), 77 percent believe analytics provides a competitive advantage compared to 64 percent of respondents from other industries. Half of all respondents agree that analytics has helped improve their organization’s ability to innovate.

Shawn Hanna at Petco talks about the relationship between analytics and innovation: “Analytics doesn’t drive innovation at Petco but it supports it. When people have new ideas, there’s a lot of testing that goes on. Folks use analytics to evaluate those tests and steer ideas toward fully fleshed versions that are successful and can be implemented.”



“Everything that we’ve put together on our site, all our qualitative aspects, is derived from analytics. Every piece of our algorithms is constantly driven and refined by what we’re measuring on the site – what people are doing. The data basically validates everything.”

Tyler Spalding,
Co-founder and CEO
StyleSeek

Source: MIT Sloan Management Review, Data and Analytics Survey, 2014.

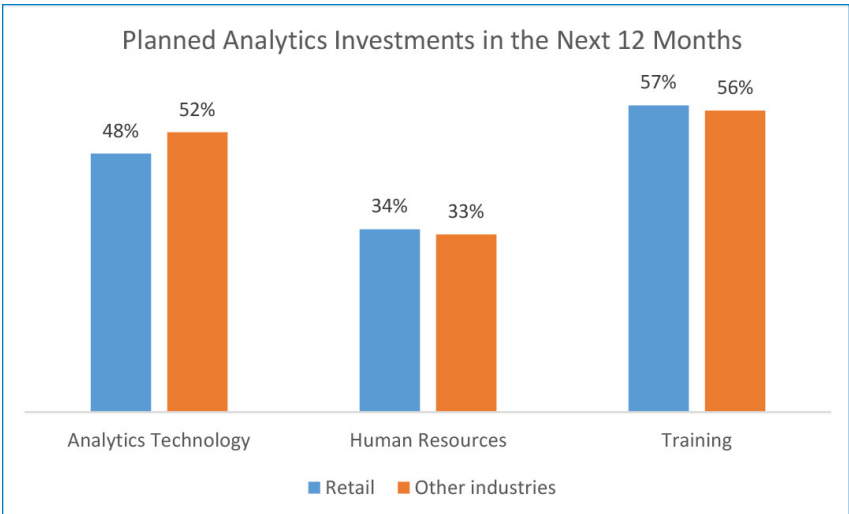
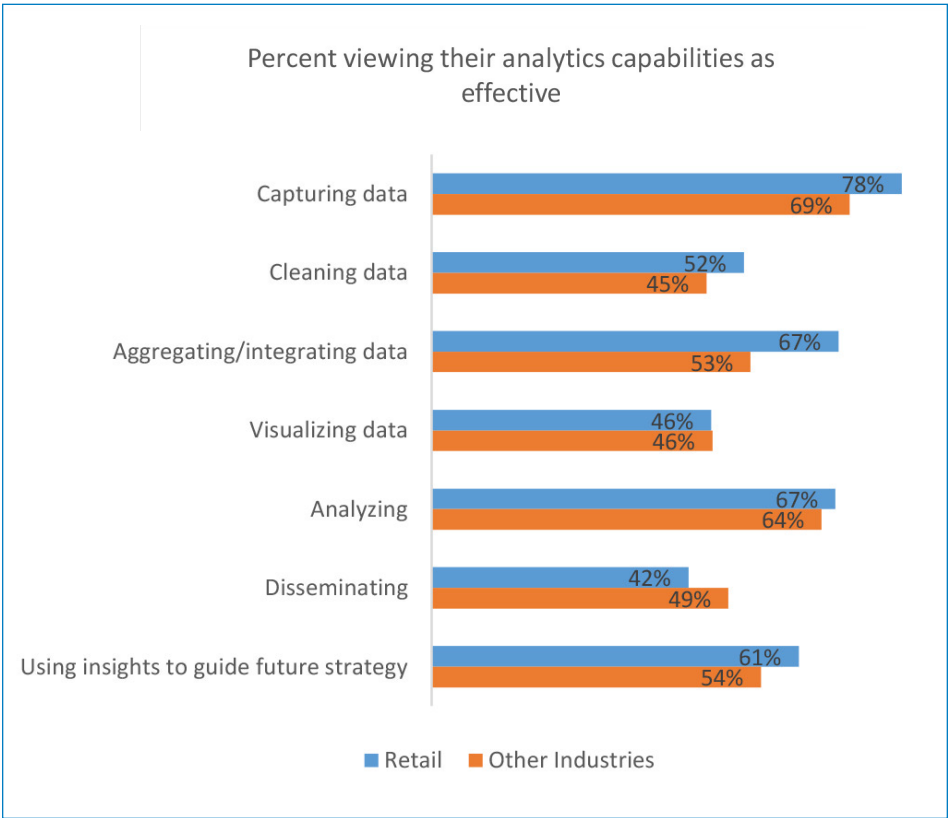
Decisions based on data

Almost all retail respondents (91 percent) agree that their companies need to increase the use of analytics for decision making. For the majority of retailers, senior management is exerting pressure to become more data driven. Anna Smith, Analytics Engineer at Rent the Runway (a designer dress and accessory rental service), commented on the relationship between internal demand for data analysis and management promoting an analytics culture. Her analytics division provides support for teams throughout the company. Smith’s manager, one of the company’s first employees, “has been making sure that people make their decisions based on the data” from the start.

For retailers, lack of data is not an issue. Point-of-sale, web, loyalty program spending and product reviews data is widely available from both internal and external sources.

Retail respondents acknowledge strengths in the areas of capturing, aggregating and integrating data – reporting more effective capabilities in these areas compared to other industries. Respondents also report effectiveness in analyzing data and using insights to guide future strategy.

The biggest weakness appears to be in disseminating analytic results (42 percent of respondents). Survey results suggest that analytic usage is confined to particular divisions or lines of business within the organization. Slightly less than half of retail respondents agreed that their company had an integrated approach to information management and business analytics as part of their business strategy and day-to-day operations.



Training is vital

Retailers plan to focus their analytics investments in training current staff (57 percent) and enhancing technology (48 percent). One-third of respondents anticipate hiring new analytic talent.

Kelly Ross, Senior Vice President at Lowe’s Home Improvement, shared how his company is collaborating with the University of North Carolina at Charlotte to develop content for a new degree, a master’s in data science and business analytics. Lowe’s will recruit internally for the program to enhance employees’ analytic skills.

The path forward

By analyzing customer behavior, retailers gain insights into how to adjust marketing strategies and implement new shopping experiences, such as personalized offers. As consumers continue to use multiple channels to shop, analytics will help retailers improve the customer experience across channels and measure business success in a more integrated way.

The Analytics Mandate report

To read more about the transformative power of data and the characteristics of companies using analytics for innovation and competitive advantage, read the full MIT Sloan Management Review report [The Analytics Mandate](#).

How SAS can help

In this age of big data and omnichannel retailing, SAS continues to innovate by listening to our customers and refining our portfolio of retail products.

Our unparalleled retail business knowledge - coupled with powerful, advanced analytics - allows retailers to anticipate customers' wishes, empowers retailers to act, and drives better results throughout the enterprise. SAS® solutions for retail are available through a variety of investment, deployment and growth options.

To learn more about how SAS can help you, visit our website at: sas.com/retail.