

CHAIN STORE AGE

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By Bill Robinson

Your playbook for winning in a down economy

As the economic climate continues to depress retail sales, everyone is asking the same basic question: "What should I be doing now to make it through this?" For many savvy retailers, retail-focused business intelligence and analytics applications have become the difference between sinking and swimming. We have begun to enter the golden age of BI in retail at a time when speed, accuracy and agility are more important than ever.

A down economy requires change both strategically and tactically. You must change strategies to prevent bloated inventories and shrinking profits, while keeping your best customers. And when the recession brings new challenges every day, you must resolve them decisively and with great agility. Below are the best practices for using analytics to successfully implement new strategies as well as the key tactics for fully leveraging a BI application in tough times.

Sharpen your orders

When you originally placed your orders, you were convinced of the compelling need for them. But what about now? It's important to diligently examine your on-order commitment before your vendors ship. You should also have the tools to quickly accelerate an order when stockouts threaten fast-selling categories and key items. When sales are slow, you must mine your orders for the best candidates to delay and cancel. If your plan calls for making a big bet on something new, start with a thin assortment. You can always broaden and deepen later, because manufacturers have swollen inventories, too. Mine your orders for the best candidates to prune assortments. If you can't cancel or delay items that aren't likely to sell, reduce the price on ordered items before they arrive in the stores. If you are open-to-buy challenged, bring in the items and price points preferred by your best customers. Let your BI system analyze your orders to ensure that your inventory will have the right mix of strategic promotional items.

Promote strategically and opportunistically

Speaking of promotions – keep in mind that, in a crisis of consumer confidence, shoppers are drawn into a store by a discounted item and end up walking out with much more. Your data warehouse must reveal insights gained from analyzing the market basket. This will enable you to be strategic with promotions to your best customers. The other side of promotion is tactical. Drive your promotion-minded customer to your built-up inventory items. Mine your data warehouse for the best promotion candidates weeks before they hit the clearance rack. And don't forget to carefully watch the hottest sellers to re-order these items before stockouts cause lost sales.

Replan and downsize

A recent *Wall Street Journal* article reported that after another month of weak sales, "more of the nation's major retailers are abandoning efforts to forecast short-term financial performance as a deepening recession makes their results increasingly unpredictable." With sophisticated planning and BI tools, however, it's possible to replan and reforecast regularly and efficiently. Once every month, your planners should reforecast based on what's happening in the stores, using BI to

keep your plan current even during a volatile season. Furthermore, an overall downsizing of the plan frees up open-to-buy, enabling you to adjust and hone the orders more precisely.

Compete aggressively

Especially in a down economy, it is crucial to watch your competitors' every move. Pricing has become even more important now that consumers are tight with their spending. If you are trying to out-price and out-promote your competitors, you'll need to leverage your BI tool to segregate competitive selling information and keep your prices competitive – otherwise, you risk losing your customers.

Leverage your vendors

It is even more vital right now to continually evaluate vendor relations to ensure that they are as profitable as possible. Yet, most retail systems are unable to measure margin at any other level than by classification. BI helps by analyzing inventory, markdown, purchase, as well as sales data to calculate gross margin down to the item level. Performance analysis by vendor is therefore elementary. To a buyer or planner, this means you can measure which vendors have a disproportionately high percentage of markdowns, aged merchandise, or customer returns. This knowledge empowers you to negotiate markdown allowances and get better dating. In good times, vendors often have the upper hand -- but now, you have the cards and can leverage this fact through the power of BI.

Watch your store staffing levels

When and where are your stores unnecessarily overstaffed? To answer this question, you must consider your conversion rate and sales per employee hour. If these are built-in metrics in your BI solution, you can easily gain insight about where your staffing is out of step with your customers. Without insight, some of your competitors will arbitrarily cut staff across all stores. You gain competitive advantage if you make the same dollar cuts, but with the insight gained from understanding the specific times of the week and locations where staff cuts are prudent.

Empower your store management

You want your store and district managers to be asking themselves the key questions to help them gain the success that top performers in the chain are achieving. They should all be more aware of what and how much merchandise is in their store, where inventory is too old, or when the delivery of promotional items is delayed or poorly mixed. They also must be able to see the best sellers chainwide in contrast with what's selling in their stores. Additionally, while it can be a hard truth to swallow, sometimes underperforming stores need to be closed. Use comprehensive analytics and BI tools to thoroughly evaluate store-level performance – and if you find that a store is consistently dragging, funds could be better spent helping your more successful locations thrive.

Overall, this economy requires constant monitoring, analysis, reaction, and agility. And don't forget who you're trying to reach in the first place. Keep the focus on your customers -- what they want, along with where and how they want to shop, is waiting to be revealed in your data warehouse. This is, after all, the essence of retailing. By empowering your key decision-makers with the right BI and analytics from the corporate office down to the store level, your organization will align itself to your customers – especially in a down economy. And when recovery comes around, you'll be much stronger for it.

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