Five Common Mistakes Retailers Make

That Cost Them Sales

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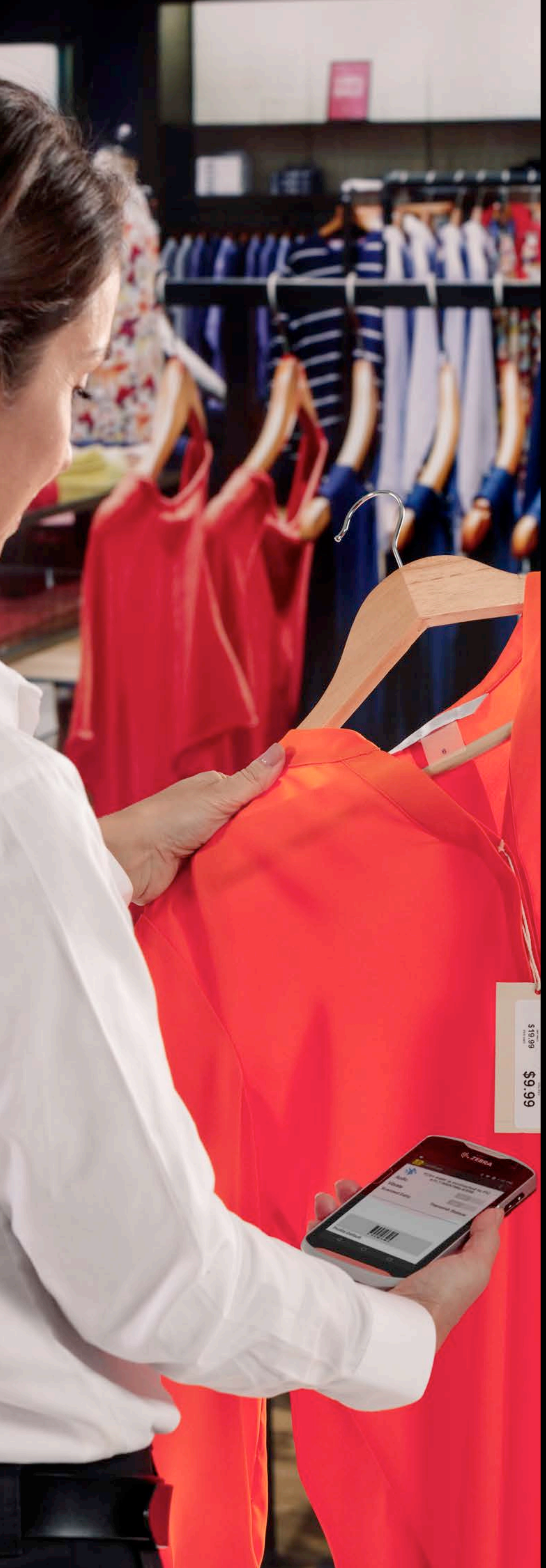


In this eBook we will examine:

- Five common mistakes retailers make
- How to spot these mistakes in order to avoid missed sales opportunities
- How prescriptive analytics can help

Introduction

To stay ahead in today’s competitive retail environment, you need to know exactly what is happening in your business at all times. Traditional reporting is often too slow and doesn’t analyze data thoroughly enough to flag opportunities for improvement when needed. Over time, this delay allows many small mistakes to add up until sales are lost, productivity decreases, or the insights become “perishable” (losing their value because they were not acted upon promptly).

We will explore five common mistakes retailers are making that are costing them sales. We’ll also cover the benefits prescriptive analytics bring to address these issues.

Top five mistakes retailers make that cost them sales

1. Failing to increase basket size
2. Not understanding true demand
3. Overusing loyalty programs
4. Poor staffing
5. Drowning employees with reports

Mistake #1

Failing to increase basket size

Every retailer wants to upsell their customers' baskets. But this is easier said than done. The insights that show you how to upsell are often buried in complex data that is difficult to pull meaningful actions from.

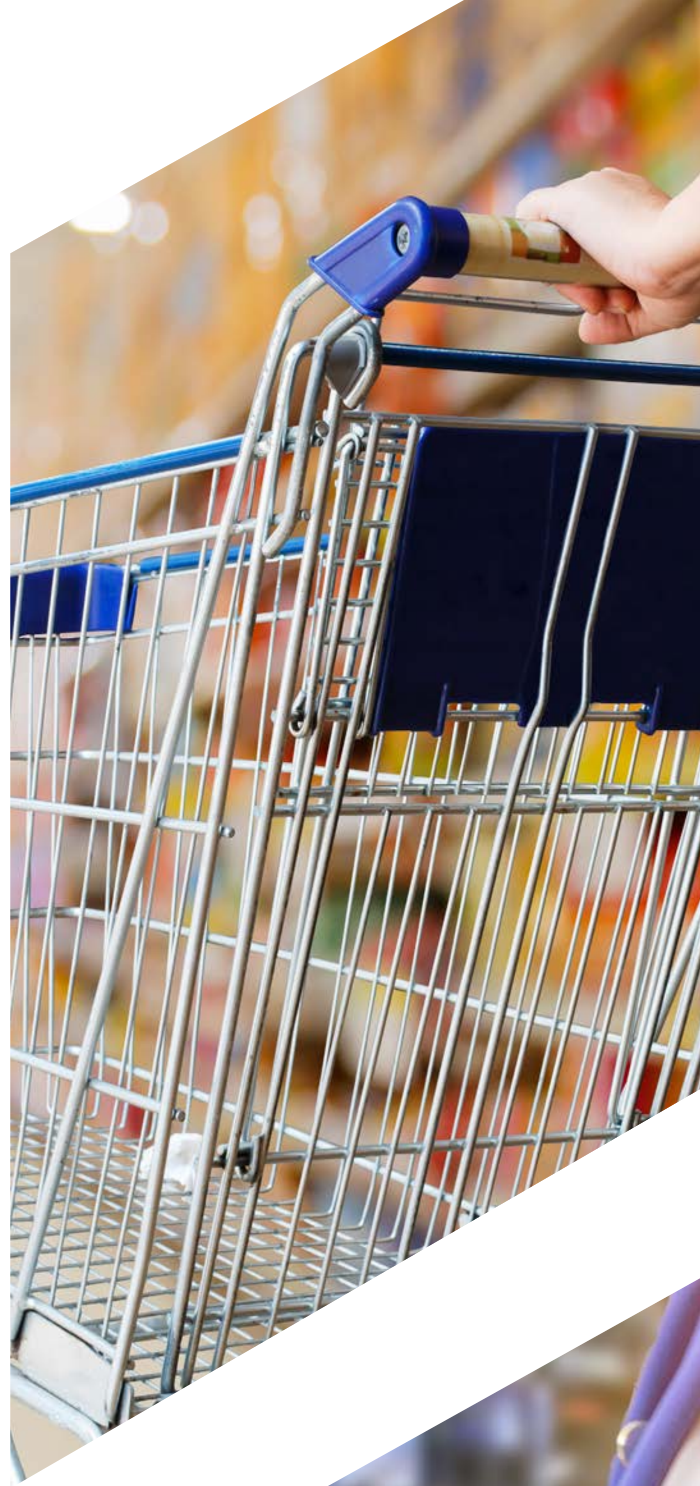
That's where prescriptive analytics comes in. It analyzes data for trends and generates insights that help retailers make decisions to maximize sales. It can help offer targeted promotions to entice customers to add to their baskets, reorganize stores to promote basket increases, and guide in-store sales and announcements.

To upsell a basket, a good first step is to identify the specific combinations of products that customers purchase together in one trip. Prescriptive analytics does this easily, and with this information, you can position commonly paired items near each other to improve the chance of impulse buys.

These insights also reveal opportunities to train associates on upselling related products.

For example, if the insights reveal that your customers frequently purchase camping tents, some sales training in this department will help your associates upsell other camping products.

Prescriptive analytics (especially when accompanied by machine learning capabilities) helps identify such opportunities for product placement and upsell training in the moment.



Mistake #2

Not understanding true demand

Another costly mistake is being unaware of the need and ability to sense demand in near-real time for certain products, at certain times, and in specific locations. Too often, retailers base their allocation strictly on historical data—which is notoriously constraining and results in missed sales opportunities.

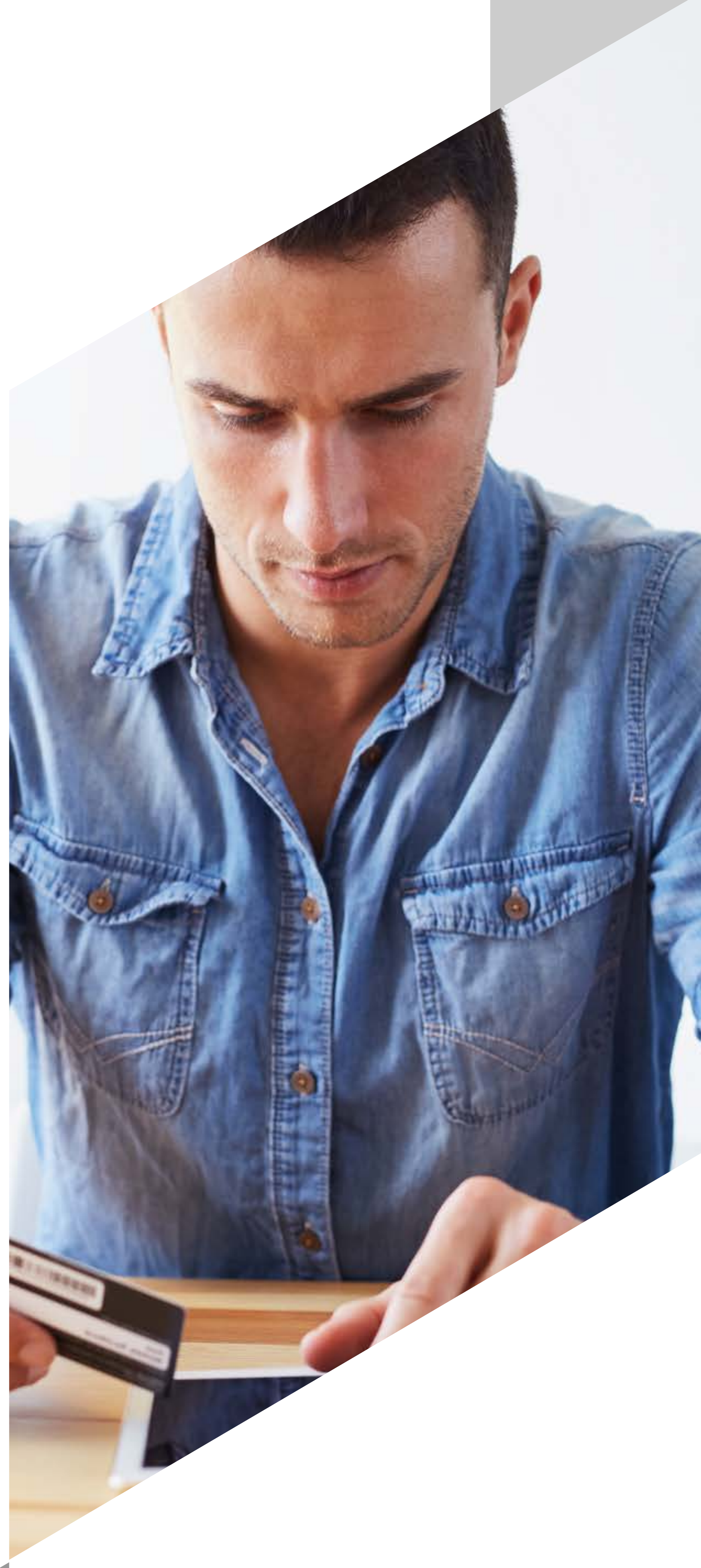
Ultimately, the solution to such missed opportunities lies in finding "true demand," which is demand based on date, time, and geolocation—the location to which demand should be attributed.

Geolocation has become an especially key data point with the rise of "Buy Online, Pick Up in Store" and home shipping.

For example, say John orders a pair of ABC-brand shoes, to be shipped to his house in Chicago. Unfortunately, the Chicago ABC store (the ideal fulfillment center) is sold out of these shoes; so the order must be fulfilled by a store in Miami. Now the dilemma for ABC's data analytics is, to where should the demand be attributed? Geolocation technology will answer this.

In addition, remember that the order was fulfilled in Miami, but the demand originated in Chicago. This begs the question, how many additional pairs of shoes could the Chicago store have sold if it wasn't out-of-stock due to the supply constraint? Now the "hidden demand"—when you don't have enough product on the shelf to satisfy demand—must also be factored into your true demand.

Only a good prescriptive analytics solution can combine all these data points and accurately calculate your true demand. From there, you can use that figure to optimize your supply chains accordingly.



Mistake #3

Overusing loyalty programs

Loyalty programs have proven time and again to increase basket size and sales. But there's always a risk of over-enticing, which can cost margins or decrease profitability. There is a certain point at which a loyal shopper doesn't need any additional discount because they're willing to pay full price—and it isn't easy to recognize this.

This mistake is often seen in large retail stores, where sales associates are trained to offer discount cards on the floor as a perk to shoppers. This can be a very helpful tactic, but far less so if it gives a customer a 30% discount at the register on an item they would have otherwise bought full-price.

Prescriptive analytics evaluates the success of these tactics and notifies employees when to hold off, thus preserving those full-price sales and ensuring that loyalty programs reach their highest level of success.

Mistake #4

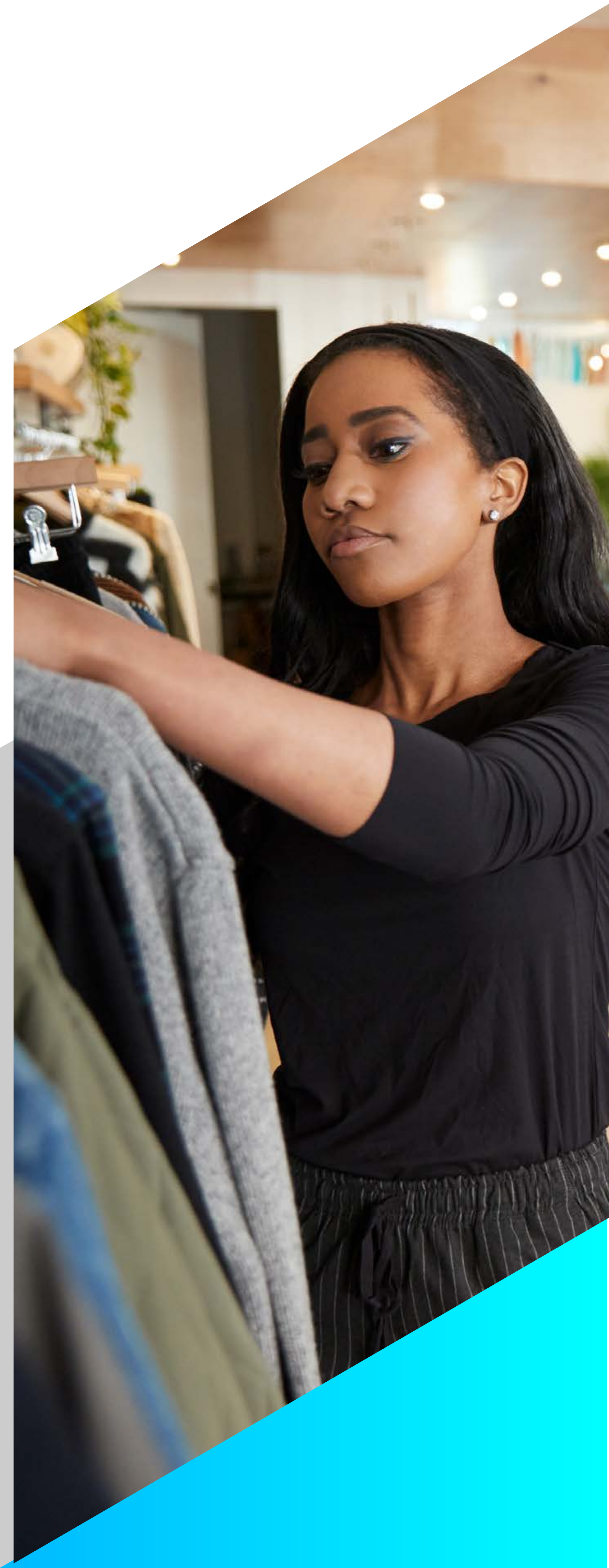
Poor staffing

When staffing stores, managers may rely on historical data to determine scheduling. This often results in understaffed stores, or excess staff doing secondary tasks. In either event, customers are left to fend for themselves, and sales may suffer. The mistake lies in scheduling labor based on previous demand, and not paying attention to current, specific times of high-volume sales and in-store traffic.

Prescriptive analytics can incorporate all the necessary data into staffing forecasts to ensure optimal allocation of labor.

Not recognizing and rewarding high-performing employees presents another challenge. Prescriptive analytics can identify data trends that point to the most productive employees, as well as greener employees in need of training.

This near-real time data analysis can also reveal employee shortcuts or cashier fraud before the problem has a chance to spread.



Mistake #5

Drowning employees with reports

The biggest problem seen across retail (and really, all organizations) is employees drowning in reports. Retail employees generally don't have degrees in data science. Sticking a store manager in an office to try to analyze the numerous reports you send out typically only costs you productivity.

Another frustrating issue with this approach is that your people often spend hours reviewing and analyzing those reports, only to find that everything is normal and there is no action to be taken after all. Other times, by the time they're finished reading, formatting, and interpreting the data, the window for improvement will likely have expired, along with your opportunity to increase sales. This is what Forrester Research refers to as "perishable insights," because by the time you are done analyzing the data, the information will be so out-of-date it'll be useless.

Devoting even just a few hours a day to perform this analysis is a major waste of time, especially when compared to a machine learning algorithm that could do many man-hours of work in just a few minutes.

Opt for a prescriptive analytics system, which leverages the power of machine learning to interpret data and dispenses clear, direct actions to the right people when needed, saving your employees hours of unnecessary report analysis a day.

Six points of failure for reports

1. Did the recipient get the report and open it?
2. Did they understand the report (i.e. rows, columns, heat maps, graphs, etc.)?
3. Did they get the needed insights/opportunities out of it?
4. Do they know what to do about the identified opportunities?
5. Who should own a given opportunity and did they take action to fix it?
6. What is the value of acting on this opportunity versus another?

So how can prescriptive analytics help?

There's no downplaying the value of offering simple, clear instructions to the employees who need them. From manufacturing to shipping, and inventory to store sales, prescriptive analytics delivers the information needed directly to the best person to act on it.

Prescriptive analytics takes a pragmatic approach to AI and machine learning to analyze massive amounts of data in near-real time and search for opportunities to increase revenue.

The right solution will distribute these opportunities, along with clear and easy-to-understand descriptions and corrective actions in plain text (or even short videos), to the appropriate stakeholder.

These directives set prescriptive analytics apart from other analytical solutions and make it an optimal choice for retailers and CPG companies.

By automatically identifying what an opportunity looks like, who should respond to it, and how they should respond to it, prescriptive analytics can help retailers respond faster to many of the common mistakes outlined in this eBook.

As an added bonus, this approach to analytics makes every employee (part-time or full-time) more effective and efficient, thus optimizing labor costs while increasing sales and margin.

To learn more about the Zebra Prescriptive Analytics™ solution and how the company is driving sales and margin improvements for its global retail and CPG customer base, head to www.zebra.com/prescriptiveanalytics.

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