Your Experience Platform:
Gain Actionable Insight

Make smarter strategic and tactical decisions that differentiate your brand.

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> **Retailers are realizing an increased sense of urgency to unlock the secrets of big data, fueled by the revolution in retail from a focus on product to a focus on the consumer.**

The explosive growth in the amount of data collected by and available to retailers has created something of a conundrum. In the not-too-distant past, a retailer simply had store-level sales data, from which virtually all planning decisions were made. Today, retailers—from grocery to fashion retailers—are bombarded with data that, with the right tools, can help them gain actionable insight into shoppers' behavior across channels. With this insight, retailers can accurately measure consumer interest in specific merchandise and apply that knowledge from one channel to the next, thoroughly understand the implications of promotions on specific customers and customer segments, price on product performance, plan channel-specific assortments accordingly, and coordinate the supply chain processes that ensure execution of the cross channel plan.

Collection of the information that enables this understanding has been facilitated by advances in technology, to the point that today, information is gathered with every click of a mouse, swipe of a card, fulfillment of an order and issuance of a receipt. Despite this technology and data explosion, retailers are struggling to understand how to find the information in the data that will help them make better cross channel retailing decisions and differentiate themselves. How can these mountains of data be transformed into *actionable information,* and what are the right tools to help them meet this challenge?

Retailers are realizing an increased sense of urgency to unlock the secrets of big data, fueled by the revolution in retail from a focus on product to a focus on the consumer. When decisions were made based solely on historical sales and price, life was relatively easy. Now, competitive retailers are consumer-centric, and consumer-centricity adds a dynamic to the planning equation that requires insight into not only transactional data, but household panel data, plus demographic and syndicated third party market data as well. Consumer-centric retailers must accurately measure demand by monitoring not just what was sold, but what could have sold; not just what was *bought*, but what was *searched*; not just that it *was* searched, but *why* it was searched, *when* it was searched, and *who* did the searching. They must measure fulfillment of demand, within their brand and within the market at large. And they must analyze new sources of data, such as brand and product perception on the Web and in social mediums.

New realities are forcing change on retail operators, to the point that those who manage business the old way—based on averages and assumptions—will no longer be competitive. Future retail winners will gain insight from past performance, and they'll project that forward to affect customer, assortment, price, and promotion decisions.

CONNECTED INTERACTIONS CREATE DATA TREASURES

As cross channel consumerism continues to account for a growing percentage of shopping activity and retail sales, merchants are accumulating incrementally larger and richer volumes of data than ever before. Unfortunately, they're all too often failing to connect the data dots across channels. Many retailers had created separate teams to launch their online businesses, or have grown these capabilities out of a catalog or call center business model. Disparate systems often support these channels; systems that may not even be able to recognize when the same item is being sold across multiple channels due to separate item listing processes,

separate buying teams, separate pricing processes, and separate reporting and analysis. Customers shopping across channels, however, will recognize that the items are the same and question why they are not priced the same, why they cannot return the item they bought online to the store, etc.

Creating connections among cross channel data promises big rewards in the form of greater insight into customer behavior and provision of a far superior customer experience.

Social media is another new source of data that drives actionable insight. Social mediums are being leveraged by leading retailers not just to communicate with customers, but to understand them as well. While social mediums can provide invaluable insight that contributes to a retailer's more traditional data sources, most merchants lack the tools to gather and make use of the terabytes of consumer intelligence harbored in social mediums.

To create competitive differentiation and increase wallet share, retailers need to gain insight into these richer, more voluminous sources of data and combine that insight with intelligence from traditional data sources to drive day-to-day customer, product, planning and pricing decisions. Without actionable insight, based on accurate data derived from connected interactions, merchants are left to unproven and non-scientific decision making, which doesn't facilitate effective targeted consumer promotions, accurate planning, consistent pricing, and sound merchandising decision-making. Consider the following pitfalls:

- **Experience and intuition-based decision-making**
  Relying on key individuals within the organization, their experience, and their interpretation of historical data to make forward-looking decisions is not an option. Too much valuable data lies beneath the surface, invisible to planners without modern tools.

- **Managing to averages**
  Retailers will limit their improvement by making assumptions based on high-level data, and then planning at that high level based on those assumptions. Insight into the rich and granular data that exists "below the surface" will drive optimized performance and profitable growth.

- **Inefficient data analysis**
  Time spent gathering huge volumes of data, determining its value, and trying to define generalities from it results in a lack of agility and slow responsiveness to consumer and sales trends. Modern, scientific tools replace time spent mining and analyzing with time spent making meaningful decisions.

- **Lack of fact-based planning**
  The "future view" of customer demand cannot be based solely on backward-looking personal interpretation of historical data. Historical data must be supplemented with a fact-based understanding of future consumer demand and the factors that drive that demand.

- **Inability to access and derive insight from new data sources**
  New data sources such as those mentioned previously hold untold value that extends your intelligence well beyond the POS, but they can't be mined with traditional data tools. Ill-equipped retailers are left to making anecdotal assumptions to support decision making, rather than leveraging modern analytical tools that offer accurate, actionable insight.

Traditional approaches to retail planning only paint a small part of the picture in today's digitally driven world of commerce. For a holistic view of customers and demand, a new approach is in order.

With more than 1,400 stores across the US, UK, Canada, and 41 other countries, Aldo has quickly become a venerable, worldwide brand in high-end footwear. With that growth, however, has come significant challenge. Aldo was experiencing:

- Deteriorating margins due to a broad-brush approach to markdowns and the cost of transferring merchandise from region to region
- Aged inventory due to buyers holding on to assortments too long
- Intuitive decision-making at assortment and exit strategies for new markets
- A rigid, non-responsive legacy markdown process
- Difficulty keeping up with store and market growth

Aldo Group CFO Bob Raven laid down the challenge to significantly increase the overall profitability of the Aldo Group by implementing a tool that would support a more effective and profitable use of merchandise based on life cycle management concepts at the price zone level. Aldo immediately implemented Oracle's Retail Merchandise System, followed by the Oracle Retail Markdown Optimization solution. The improvements Mr. Raven sought came quickly in the form of:

- Improved sell-thru of each assortment, resulting in improved margin and inventory turn
- Smoother transition to new assortments on a quarterly basis
- Fewer space/capacity issues in stores
- Better lift with effective price ladders
- More frequent markdowns, from monthly to biweekly

In addition, decision support tools within the Oracle systems helped Aldo support organizational and process changes by enabling visibility and analysis at a deeper level of detail than previously possible. This analysis facilitated the adoption of accurate new pricing policies, enabling more—and more frequent—pricing options. With these new decision support tools saving time, merchants have more capacity to focus on strategic tasks.

The implementation has not only improved merchandise operations at Aldo, it has pleased Mr. Raven. "We refer to Oracle Retail Markdown Optimization as 'Margin Optimization,'" he said. "This is a testament to the overarching benefits of the solution."

HOW ACTIONABLE INSIGHT ENABLES CONNECTED INTERACTIONS AND OPTIMIZED OPERATIONS

To drive ongoing profitable growth, you must facilitate exceptional consumer interactions, whether online, in stores, in print or on the go. Your team needs to be empowered with actionable insights gained from connected interactions to make smarter internal decisions—from the far reaches of the supply chain to store operations to customer service. This is paramount to today's retailer. You need to build an experience platform— tuned to your specific business strategy and growth objectives. To enable your experience platform, we believe there are three goals:

- **Connect Interactions.** Using technology, connect customer and associate interactions seamlessly across channels and touch points.
- **Gain Actionable Insight.** Enable smarter decisions by connecting siloed sources of data and embedding science and analytics. This will enable smarter customer, planning, forecasting, merchandising, supply chain management, and marketing decisions.
- **Optimize Operations.** Align every aspect of your business to gain efficiencies and economies. When KPIs are aligned across departments and channels, internal conflict is mitigated and the customer's priorities become your priorities.

When these goals are achieved and executed collaboratively, you will create your experience platform that continuously connects interactions through actionable insight to power optimized operations.

To enable smarter decisions by connecting siloed, cross channel sources of data, retailers need to plan and manage key business metrics within and across different channels, leverage external data to optimize decision making, and aggregate and reconcile key business metrics with company objectives. This is where science and business intelligence come in to enable actionable insight.

To meet customer demand, retailers need to understand true demand across channels, and use that understanding to drive potential *within* each channel and *across* other channels. This insight must then be leveraged to plan relevant components of channel demand and combine them for a company-wide view of gross demand and sales.

Next, the optimal inventory investment must be determined in a way that will profitably meet customer demand and sales across channels. Again, these must be reconciled with strategic inventory investment and inventory turn targets.

Of course, determination of optimal cross channel, customer-centric assortments and pricing will ensure coherence of offers across all channels, within the constraints of space and with full visibility of impact on margin and revenue.

THE POWER OF ACTIONABLE INSIGHT IN PRACTICE

Let's illustrate how actionable insight works in the real world by presenting a hypothetical customer experience, made possible by execution on consumer insight.

Emma is a 20-year-old college senior who spends most of the year residing in her upscale college town, where she frequently shops at one of your internationally recognized apparel stores. The store specializes in high-end men's and women's wear for various occasions, including weekend wear,

sophisticated professional attire, and dress-casual items made of luxurious fabrics. She likes the store near her college better than the one in her hometown because it carries a better selection of clothes and accessories that she would buy.

The store's best customers are the several thousand college students that descend on the town each fall, and because you know this, Emma is among the many frequent shoppers who receive your valuable promotional offers via e-mail and even in her school mailbox.

Emma was recently thrilled to receive a 30% discount offer on the store's entire line of tee shirts and cardigans, which are exactly what she most frequently purchases from the store. When she received a follow-on discount offer for all in-stock belts and jewelry with the purchase of a tee shirt or cardigan, Emma was ecstatic; she always buys such accessories to complement her favorite apparel selections.

Emma and her friends often discuss the store, and more specifically, the fact that they all receive discount offers on merchandise that fits their specific tastes. She recently realized that she's not the only patron of the store who receives a substantial discount offer on her smartphone to celebrate her birthday. Because the store seems to know her, Emma wouldn't think of shopping in another of the college town's many apparel stores; your store always has exactly what she needs, and in the right size and color.
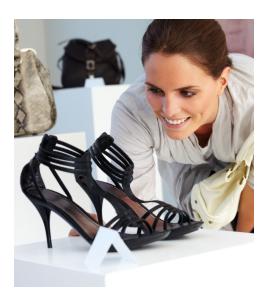
From a retailer perspective, you understand the decisions that went into creating Emma's shopping experience. It's not surprising that she prefers the store in her college town because it has a different assortment than the one in her hometown since the stores have different customer demographics. And because you have granular insight into her purchase history, you know that tee shirts and cardigans are among her favorite purchases. You also know that it's typical of Emma to buy accessories that complement her apparel choices. She doesn't (and shouldn't) realize the analysis that your brand does to bring her a seamless and customized shopping experience.

Your store can confidently create that experience by gaining the insight that allows you to take action on:

• The fashion trends for 20 year old females
• Last season's merchandise history for women's cashmere apparel
• Historical performance of specific promotions tailored for Emma and
    other consumers based on segment and demographic data
• Emma's specific buying patterns

As the example illustrates, gaining actionable insight is not a *one-time*, or even *once-in-a-while* proposition. Maintaining the insight that drives intelligent action requires regular review, management, and replanning of key business metrics, ensuring trends identified in one channel or in the wider world cross into other channels. Oracle's planning and optimization platform provides full cross- channel planning and management capabilities, together with aggregation capabilities, to provide a holistic worldview and the actionable insight that drives more profitable decision making. And Oracle's analytics platform, specifically designed to meet the unique needs of retailers, provides actionable insights that enable effective customer and merchandising decisions.

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CONCLUSION: ACTIONABLE INSIGHT POWERS YOUR EXPERIENCE PLATFORM

Actionable Insight provides retailers with insight into customer demand and empowers them with executable recommendations that drive revenue and margin. Oracle Retail Solutions provide the tools to do this on a common platform that connects interactions, creates actionable insight, and subsequently optimizes operations.

Oracle Retail's enterprise approach to planning ensures a coordinated process that ties in previously disparate and channel-specific parts of the organization and sources of data, resulting in fact-based recommendations that support a coordinated cross channel planning process. Equally important is the platform's configurability, which allows planning and processes to evolve as the retailer does, and not only keep pace with the change but enable organizational and process change.

Actionable insight, optimized operations, and connected interactions comprise the three pillars of your experience platform. It's in anticipation of the continued evolution of retailing that we developed the vision for your experience platform, a complete cross channel retail practice comprised of hardware and software, engineered to help retailers successfully navigate the challenges of today and those we'll face in the future.

For More Information...

Oracle's Retail Asset and Community Knowledge Portal (RACK) offers a comprehensive collection of informative resources and discussions around our best-in-class Retail Solutions.

ORACLE RACK
Retail Asset and Community Knowledge Portal

www.oracleretailrack.com