January 2023

RETAIL FUTURE

This issue

CUSTOMER EXPERIENCE
STORE LOCATIONS
CREDIT SOLUTIONS

PUTTING DATA TO WORK™

“2023 is going to be a peach of year” said no retailer ever.

You don't need me to list all the challenges the next 12 months will bring. But putting inflation, spiralling costs, skills shortages, supply chain woes and all the rest aside for a moment, I believe that there is also enormous opportunity for the retail sector.

People won't stop spending entirely; but they will spend differently, and they will be more discerning. Understanding this and balancing it with greater operational efficiency will be the key to survival and even growth.

What my colleagues and I hope to do in the pages of this mini-zine is inspire you with the art of the possible. Demonstrate how you can put your data to work; unlocking unknown unknowns to derive value and create new revenue streams; repurposing existing assets to both reduce cost and move your ESG agenda forward; challenging the status quo and changing an organisational mindset; and more.

We believe in the power of collaboration and diversity of thought, so hearing your opinions on what matters most to your business and the retail sector are very welcome. Please grab me for a chat over the next few days or drop me a line: paul.alexander@puttingdatatowork.com / or via your socials using the #NRFWhatMatterstoMe

Paul Alexander
Group Chief Executive Officer
Beyond

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HOW TO IMPROVE CUSTOMER EXPERIENCE WITH PREDICTIVE ANALYTICS

This paper will explore the use of data analytics tools and statistical modelling to forecast and anticipate customer behaviour in order to bring focus to business strategy more effectively and to tailor marketing and product offering for customers, to enhance their experience.

Liz McCall
Partner
Beyond

How can we improve customer experience?

Improving customer experience should always come from a place of answering the needs of the user. Providing easy solutions to their problems, be that with a product or service and delivering them in a way that puts the customer first, is the most simple formula to improve customer experience. One tool that can help businesses achieve this through an approach which puts the user first, is predictive analytics.

Improving the customer journey

Customer experience is a collection of all the small steps that build towards the customer finding the right product. The experience needs to meet or exceed their needs, within an environment that makes this process easy and straightforward, with a great service experience from the very beginning all the way right through to the end. In this sense, there is an opportunity to improve the customer experience at every touchpoint of the customer journey.

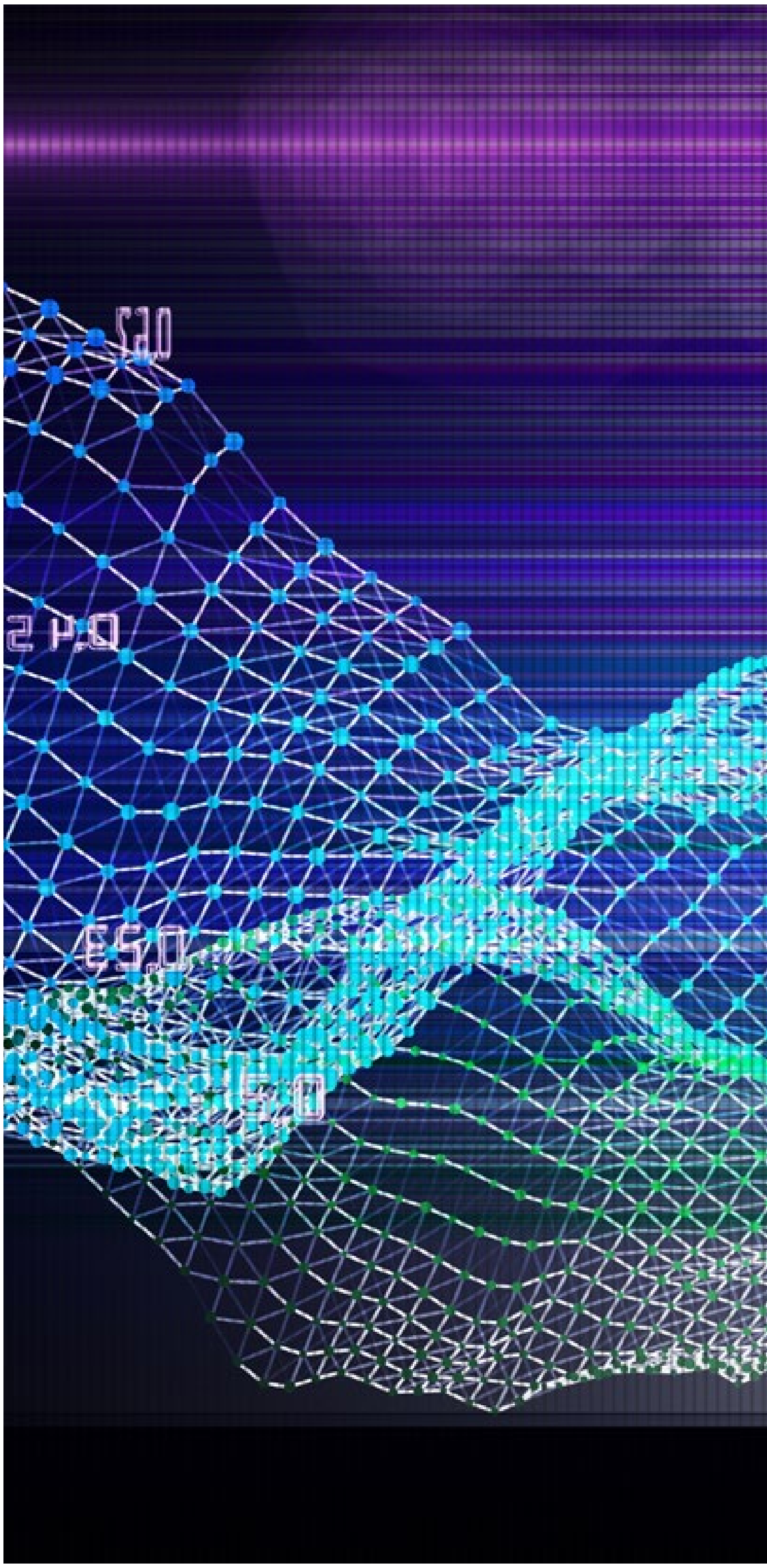
The customer experience for a brand begins the moment a customer sees their advertising or search result online, or the moment they see the front of the store on the high street. From that point on, the customer experience starts as they begin to investigate what the brand is offering and assess if it meets their needs, through to initial purchase, product experience and hopefully repeat purchase.

Many of these customer experience elements we now take for granted as 'common place' on our preferred online sites, because they make the experience so easy and convenient to use. It's not until we then go somewhere that gets it wrong, that we remember how important it is and how easily it turns us off and can lead to us just abandoning the shopping mission in frustration.

Poorly designed websites that make the products hard to find or clunky checkout processes that don't offer our preferred payment method or delivery options, is enough to make us switch to another site in search of a more convenient option. What's more, as consumers our expectations on what is a 'good customer experience' is constantly on the rise, as companies know how powerful a tool it is to keep us coming back. This makes it increasingly important to get it right and as such, predictive customer analytics and the customer experience make great partners.

How to use predictive analytics to improve customer experience.

There are a number of ways to improve the customer experience with predictive analytics. The process will usually start with a customer diagnostic analysis across the whole customer journey. This quickly gives an idea of what is working and what needs attention, meaning the focus can be to improve the right part of the journey first, in each case. Typically there are four broad areas where big improvements can be made:



1. Customer needs and demand forecasting

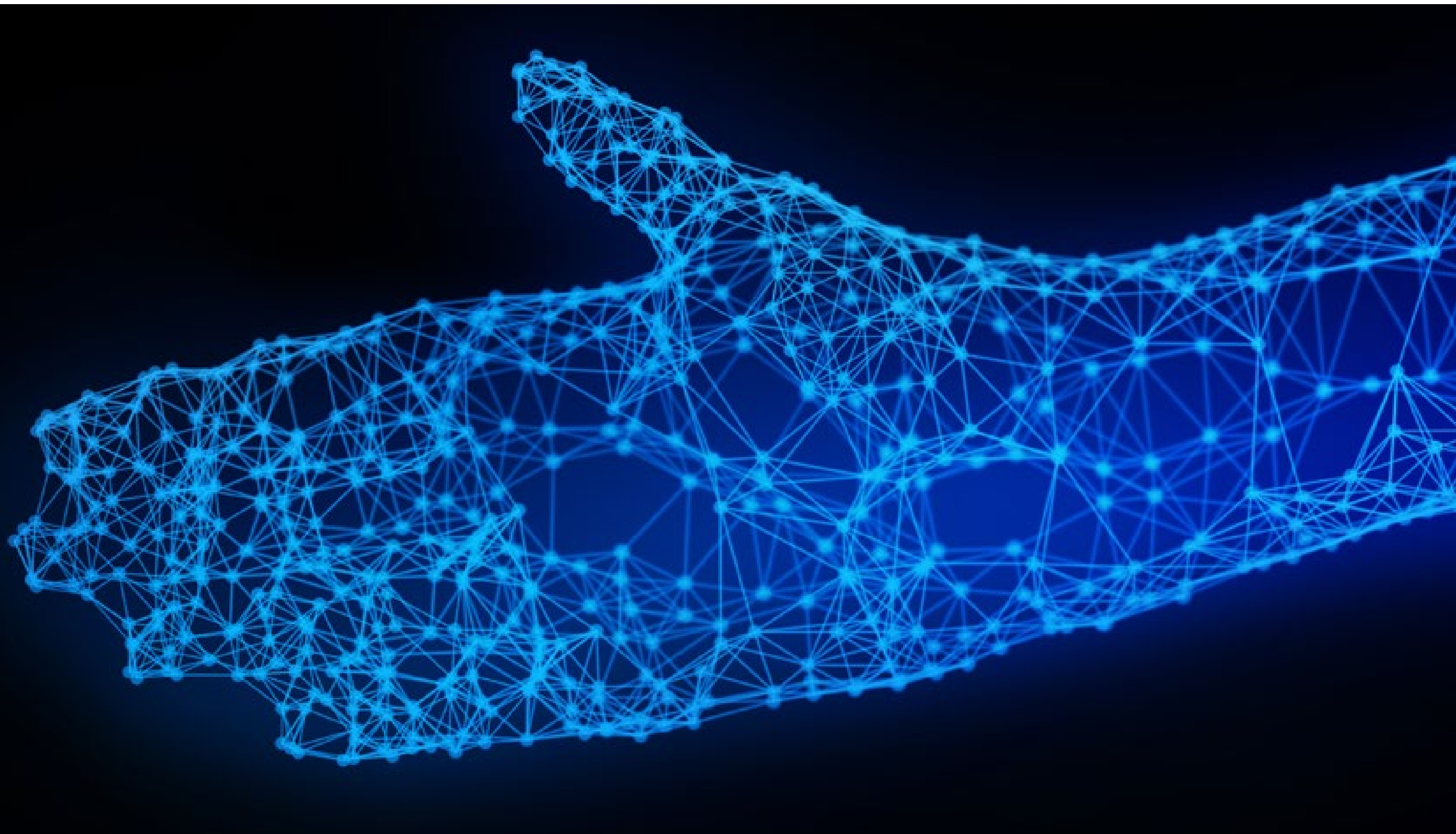
At the start of the journey understanding customer needs is critical. This is achieved through a series of data analytics and customer segmentation processes to dive deep into the behaviours and preferences of customers based on their historical purchase patterns. Predictive analytics can take these techniques a step further and add the predictive layer to forecast these needs.

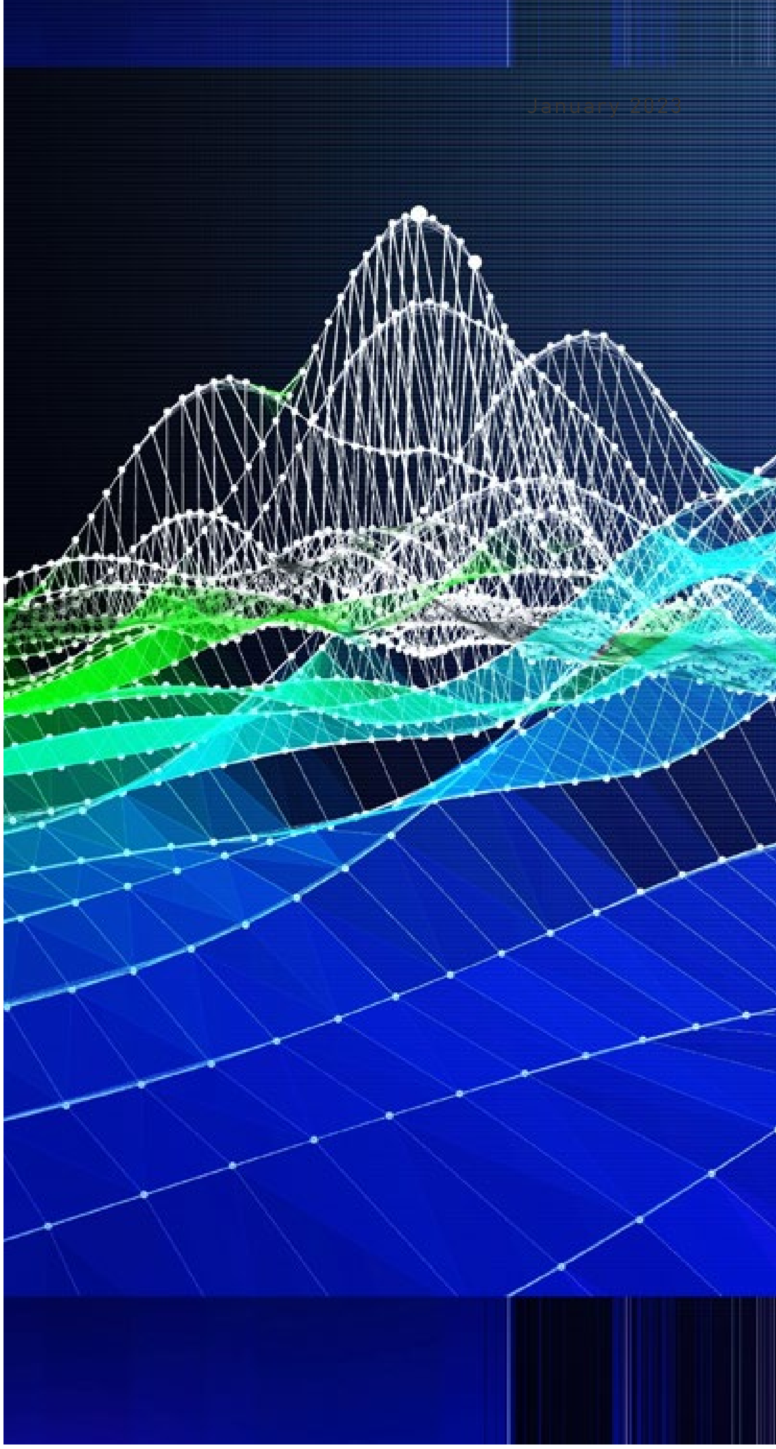
Forecasting customer needs with predictive analytics plays two key roles in the customer experience: it means the business can plan around what, when and where customers will be buying and make sure the stock is ordered and in the right place; and it acts as an early warning sign to spot changes in customer behaviour as a precursor to evolving changes in customer needs, meaning that the business can proactively respond to and address these changes.

Using a combination of historical transaction data and retail finance data, companies will be able to help clients make significant improvements to their forecasting capabilities.

CASE STUDY

For one clothing retailer we were able to reduce their lost demand, (e.g. where they were not ordering sufficient product and therefore unable to sell), by £149 million using predictive analytics.





2. Personalised marketing

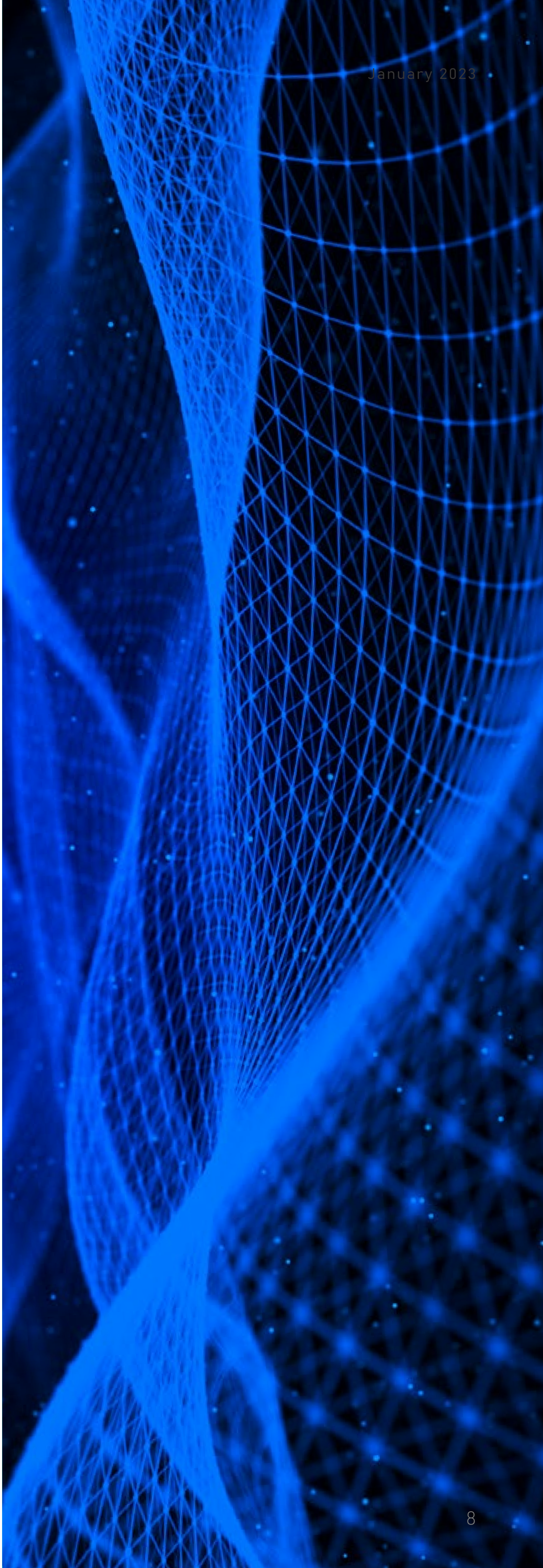
Reaching out to customers and prospective customers to remind them of the brand has become increasingly challenging, due to both the explosion in different media options and the sheer volume of competition for customers' attention.

Personalised marketing is about making sure to target each individual customer with a relevant message, at the right time, through the optimal channel. With millions of customers this is no mean feat and the skill comes from being able to package up the messaging with compelling, attention-grabbing content, the right call to action and, once you have the customer within reach, making sure the product, pricing and things like shipping, are all on the money.

Predictive analytics allows companies to tailor these messages using data to create hyper personalised experiences, which can drive up conversion rates and return on investment for your marketing.

CASE STUDY

We were able to make significant gains in targeted marketing to a store card customer base, for one of our department store clients. Through predictive analytics and a structured test and learn program, we were able to achieve uplifts of 395% in response rates to some customer segments and almost $500,000 of additional sales.



3. Customer churn

It is a well acknowledged fact that it costs more to acquire a new customer than it does to retain an existing one and that finding ways to identify customers before they leave is a proven way to manage growth. Predictive analytics can be used to identify the likelihood of a customer leaving, by using their behavioural and transactional data to spot events or changes in behaviour that are known to be early indicators. These events may be something such as a poor customer service experience captured in a feedback survey or a change in shopping patterns, like visit frequency.

The success of predictive analytics in preventing churn comes from the power of data analytics to identify the drivers of churn using the events and behaviours from previously churned customers as the learning data and then spotting these in the events and behaviours of current customers.

To successfully prevent churn, the business needs to have the right actions and responses in place to recover the customer and ideally without using excessive resources, which results in margin erosion. Therefore the earlier the potential churn is spotted the longer the runway there is to do something about it and ideally the lower the overall recovery costs will be.

CASE STUDY

For one of our B2B financial services clients, we were able to predict potential churn up to six months out, which gave the business substantially more time to address the operational and service issues that were behind much of their churn.

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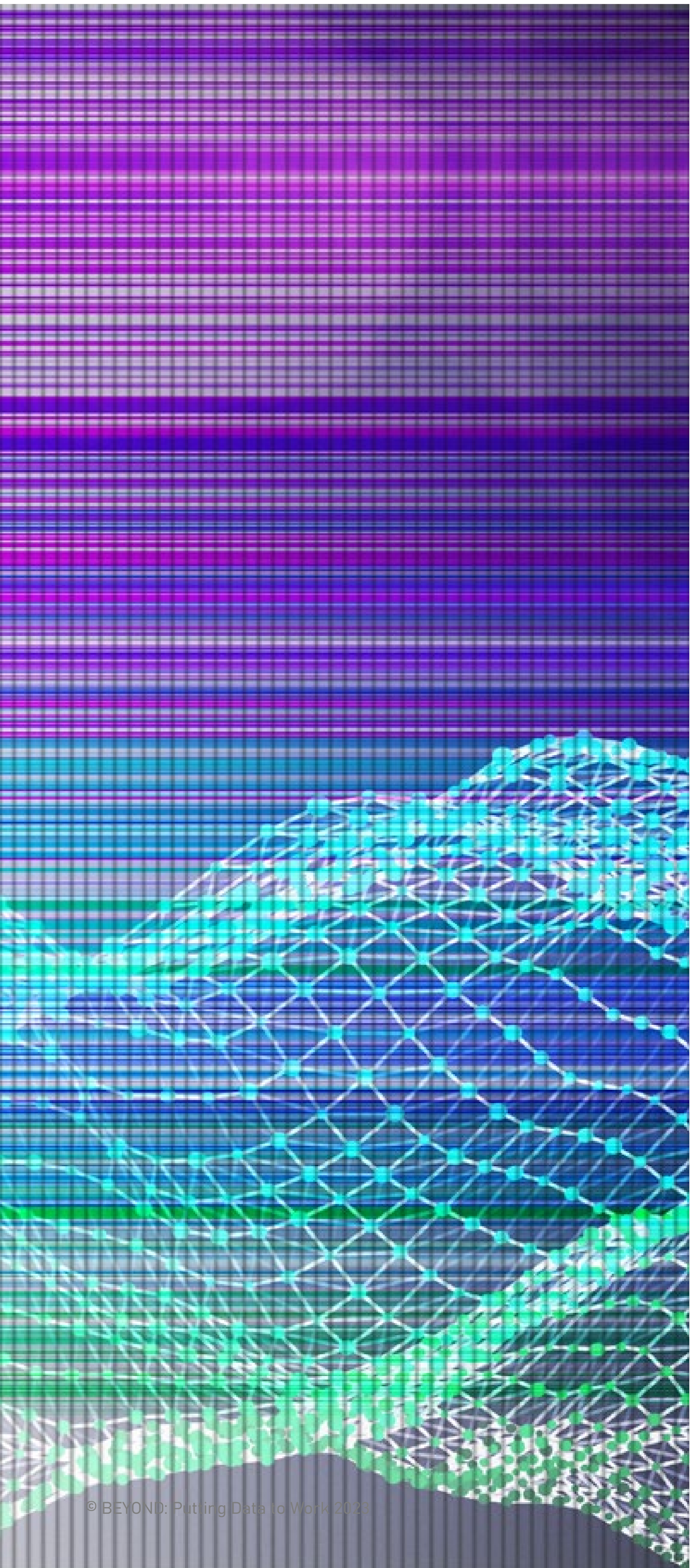
4. Workforce scheduling

Predictive analytics can also provide the insights to help a business plan their workforce scheduling more optimally to make sure that they have the right level and type of staff online to meet customer demand and maintain productivity.

Integrating the customer demand forecasting models with the store estate, call centre and warehousing data, can enable more accurate planning for staffing levels across the customer experience to meet demands and keep customers happy.

SIMPLY PUT PREDICTIVE ANALYTICS CAN HELP TRANSFORM BUSINESS OPERATIONS FROM SOMETHING THAT NEEDS TO APPLY 'BEST-FIT' TO MEET AS MANY NEEDS AS POSSIBLE, TO EMPOWERING THEM WITH THE BEST OF TECHNOLOGY TO OFFER A TRULY PERSONALISED SERVICE TO EACH CUSTOMER.



How can you improve the process of predictive analysis?

Our approach is to start with building the basic foundations of great customer insight to understand their needs and make sure the operational aspects for this are ready to go. This can be largely done using descriptive data analytics after which the business can start to optimise and become more sophisticated with the predictive models.

How predictive analysis will transform the CRM experience.

Predictive analytics done right is a bit like cloning the best salesperson or customer service agent and planting them all over a business. It enables the business to effectively watch over every customer, spot the triggers that indicate a certain requirement, and react accordingly.

Starting with descriptive analytics.

- Get to know customers by segmenting them into distinctive groups based on their behavioural differences.
- Use these groups to track them through the entire customer journey – Where did they first hear about the brand?; What was their entry point (e.g. store or web)?; What did they look at?; What did they buy?; How did they pay and when and why did they return?
- Model their profitability by working back through the journey, picking out the successful journeys that end in repeat purchases, a sale etc. and those that drop off.
- Allocate the costs and profitability for each customer group, to identify the scale of financial return or otherwise at each stage of the journey.
- Review these findings, with the goal of picking out the big successes and losses, and begin to develop hypotheses about how to possibly impact/change these. E.g. We could encourage more people to stay on the site and start browsing, if we could tailor the landing page that they see.

With this foundation of analytical insights, the business will be able to develop a set of areas to go after with a tangible prize at the end of it. It will enable them to identify the quick wins where there are obvious and easy changes to make that can be tested – such as trialling a few different landing pages based on the visible insights.

Optimise with descriptive analytics.

Only once the business has made a good start on the above, are they ready to start thinking about the role of Predictive Customer Analytics in the customer experience. At this stage, it should be clear which areas are going to show the greatest bang for their buck and thus be able to apply the power of predictive capabilities to further optimise the journey.

The time and effort spent on understanding the fundamentals of customer behaviour will mean the business has the basis from which to quickly build predictive models, get them working faster and reap the rewards earlier.

Where is the best place to use predictive analytics?

Identifying the best place to use predictive analytics will differ for every business and the answer will really relate to how their existing operations perform.

A traditional bricks and mortar business will likely derive most benefits from the customer demand and needs forecasting and workforce scheduling. Making sure the shelves are adequately stocked and the stores fully staffed when the customers are out shopping is a crucial requirement to get right. There is nothing worse for the consumer than finding empty shelves or insufficient product to complete their mission.

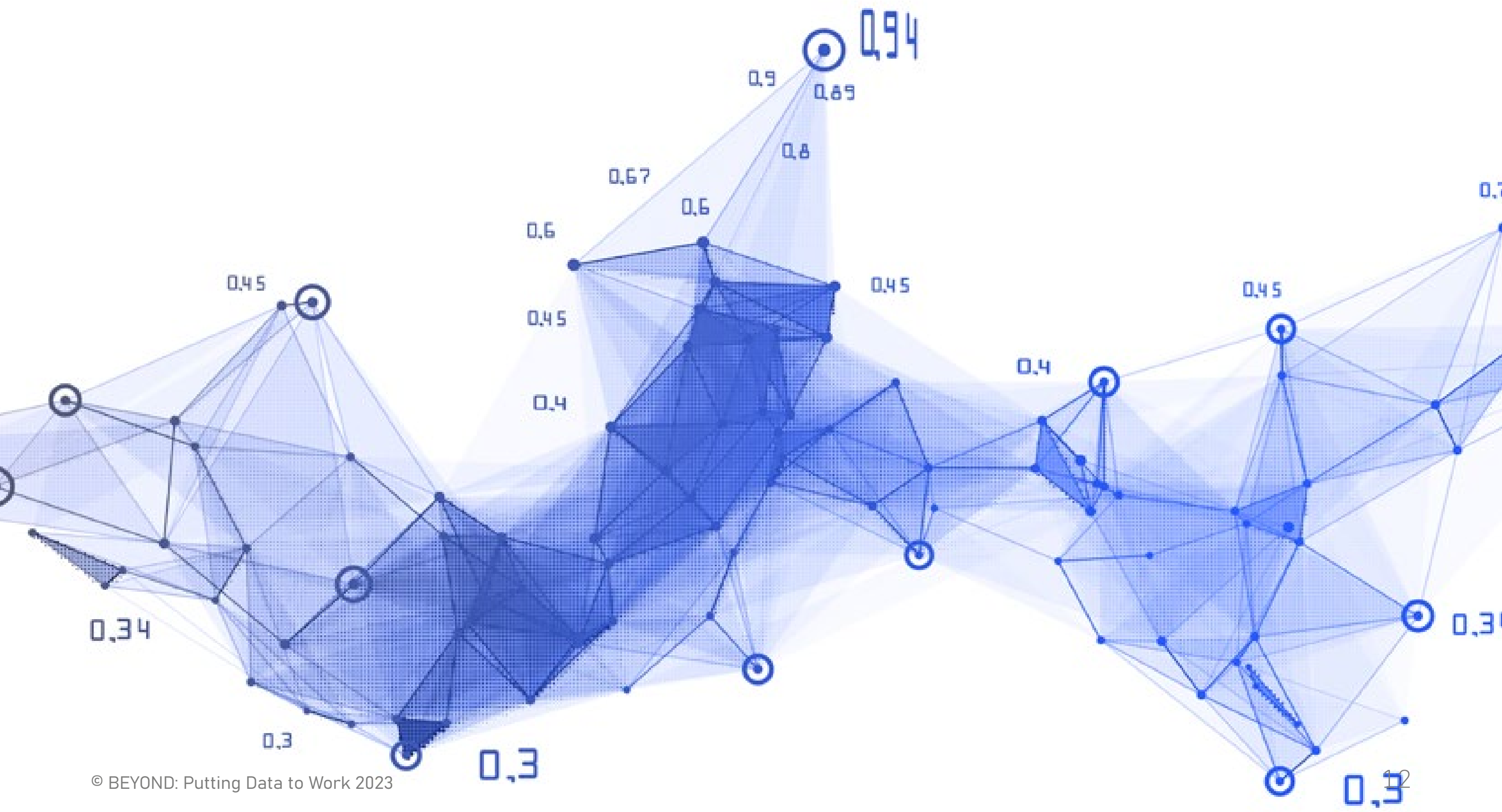
For an online retailer the bigger wins may well lie in basket optimisation ensuring product placement on the site and associated products that go together are well merchandised with attractive delivery offers or promotions for multi-buys.

For a subscription or membership-based business model, like a credit card or content platform, the biggest wins may well lie in managing churn. Having spent all the marketing budget recruiting new members and offering attractive entry rates the challenge is to keep them engaged with the product; be it regularly switching to the content platform or keeping the credit card front of wallet.

Predictive analytics comes into its own for these businesses because they give the business time to react. For example, the sooner a business can spot that a customer is using a product ever so slightly differently, which indicates the probability that they are distancing themselves from the product (or getting distracted by a competitor's), the sooner they can respond.

The sooner a business can respond the less they will probably need to do/spend to get that customer 'back on track'. Without predictive analytics it is probable that a business won't spot that someone is churning before it is too late and then the danger is they start spending heavily to retain customers when it is too late.

To understand more about the value of implementing data analytics in your business, contact our team of strategy experts directly. You may also be interested in reading more of our experts insights including our recent publication the Best Data Analytics Tools to Use.



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5 STEP MASTERCLASS : EXPLOITING DATA IN ECONOMIC UNCERTAINTY.

As we move forward through these challenging and unprecedented times, many businesses are wondering where to focus their energy to reduce external influences and impacts on their business and understand where to invest their efforts for best results.

Nicole Richardson
Partner
Beyond

As a data science business, we have for the last 13 years, helped businesses across the world understand the value of data analytics for customer insight and business intelligence, and turning these into effective applications to address their unique situation(s) to deliver results.

What is going to happen over the next six months or so is not all together clear. What is clear though is that this unprecedented change is already playing havoc with your data analytics. Your customer segmentation's, predictive models and targeting rules were never built with this dramatic situation in mind. As far as your data is concerned the game has changed and you will be looking at reports that will likely send you into a head spin.

We are recommending the following five step approach:

1. Take a Customer Snapshot

Ensure you have a solid view of your customers individual behaviours and preferences before the pandemic kicked off. You will need this as a key read on your customers in normal times. The behaviour changes over the last few years have been significant enough that by today your segmentation's may already be categorising people very differently. As you begin to plan and react to the pandemic and its aftermath you will need to be able to accurately recognise your customers for who they really are in normal times.

2. Establish New Customer Cohorts

Most importantly you need to be able to quickly get a handle on what is going on out there. This means you want to be tracking customers using pre pandemic cohorts but also based on some new additional groupings. These will depend on your business, but a couple of examples we have implemented for clients today are:

- Price – For some it may be around price and which customers previously bought into which price bracket. You will want to be able to see how customers are behaving around price now and as the dust settles. Not only will it inform your commercial planning but it will be a powerful read on the financial stress your customers have been under and you will be able to be sensitive to this.

- Credit – If your business relies on credit you will need to be able to take more informed decisions and not necessarily rely on the credit agencies whose data may be heavily impacted and potentially unreliable. Do you have customers who have been with you for a long time, always paid on time, who are now looking like a bad credit risk? If so, how do you make informed business decisions around how you manage that relationship?

- Resilience – What do you know about your customer that will give you an informed read on their financial resilience? Historical behaviours may help inform this as might external data sources. Today we are applying additional company data to a B2B database that include age of the business. It will be an additional read into how established a business the clients customers are and so how likely are they to have an established customer base with which to spring back from the chaos.

3. Monitor and Scenario Plan

Set up simple reports that everyone can easily understand and that will keep your business in the picture on a daily basis and identify when rates of change in certain groups start to ramp up. Make this the default report and monitor it closely. Now is the time to kill off any data silos that have been lingering in your business duplicating reporting and creating confusion.

4. Action Planning

Using these new cohorts and your scenario plans, begin to map out the likely actions you will need to take and make sure your data is prepared, so when the time comes you can target the right customers with the right experience.

From a customer perspective you will need to be thinking about how the customer experience has been impacted. For example; how has your business evolved post-pandemic to accommodate a new modern working world where people split their time working from home with working from a physical office; how should your business be considering a future steady state centred around more reliance on home deliveries and click-and-collect services or even deferring payments due to economic concern; how do you shift marketing focus to available models through appropriate channels e.g. online; and how do you adjust the purchase experience to account for the fact your customers cannot leave home.

5. Business as Usual

Meanwhile it is time to re-emphasise to your teams that they need to be cracking on with the day job and getting your business into the best shape possible.

Our team have also pulled together our top suggestions on how to use the data within your business to inform decision making that you can start actioning today.

Targeted marketing

If your marketing budget has been reduced, focus your attention on targeting specific customers or areas that deliver a better ROI.

This can be achieved through value-based segmentation. Identify your most valuable customers and applying differential marketing techniques to improve return on investment (ROI).

Website optimisation

Understanding how visitors navigate and find information via your website through UX is critical to improving customer experience.

Mapping data points against visitor behaviour online will help them find what they are looking for optimising their journey.

Profile online behaviour in order to create highly targeted communications to increase engagement.

Profile matching for acquisition

Profile your existing customers in order to match prospects across the wider population to understand opportunity size for targeted marketing.
Basket analysis

Analysing multiple years worth of basket data to establish patterns for upselling/cross selling/linked purchases (next best product)– driving increased share of wallet.

3

ESG 2023: COUPLING CARBON AND COST REDUCTION

Nick Robinson
Managing Partner
Beyond

"We have made significant progress in developing a clear ESG strategy with relevant metrics and targets that we believe align with our purpose"

"We are beginning to take action to minimise the environmental impacts of our business and continuously improve our environmental performance to support our long-term strategy."

"We are we are humbled by the critical role we are playing in combating the climate crisis by focusing on Scope 3 emissions"

ESG as a corporate fundamental

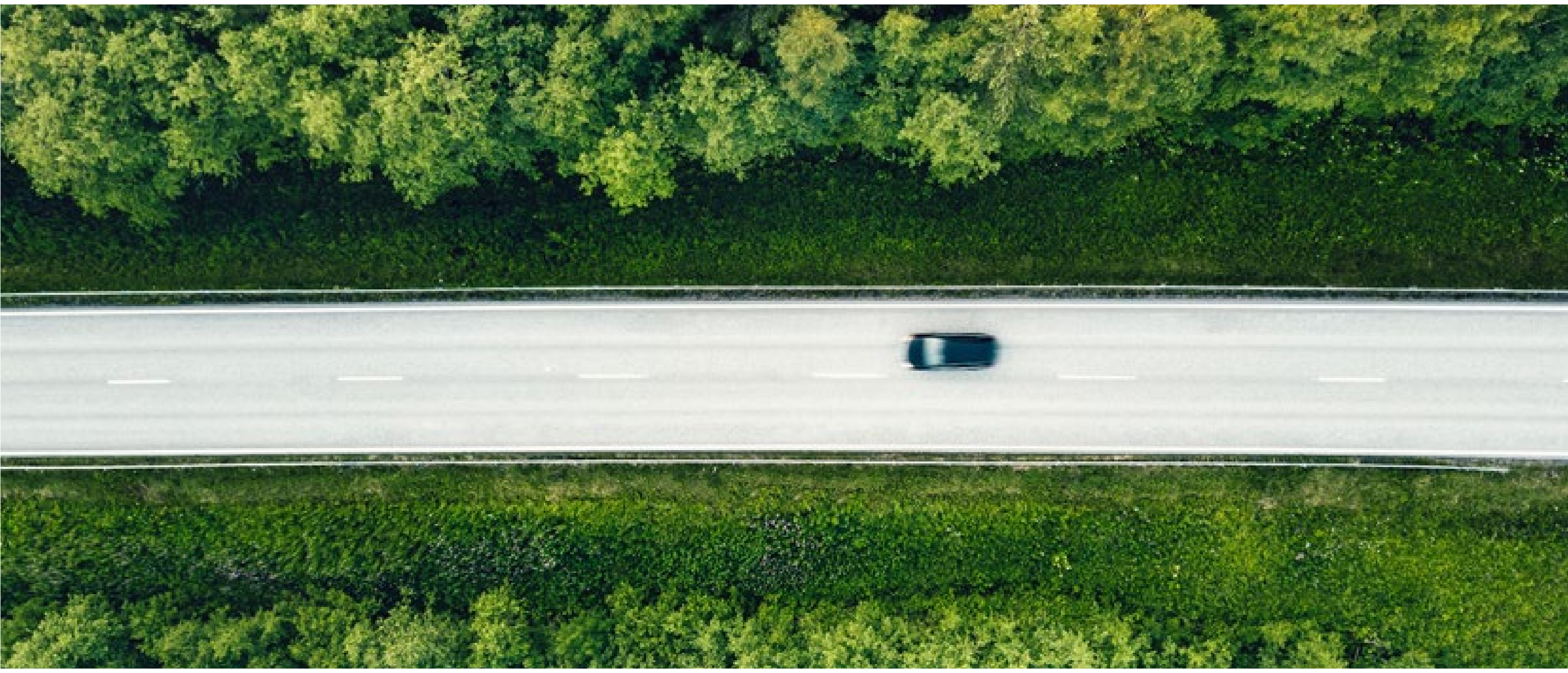
As we can see from the above three statements taken from three UK retail annual reports in 2022 every retailer is on an ESG journey. Some are further along than others and you just need to do a quick Google search to see that there are many different approaches.

What this shows is that the ESG retail continuum is a complex scale. Despite this a number of consultancies have attempted to define it. PWC has created the ESG Maturity Index, Thomson Reuters has devised an ESG scoring system, whilst J.P. Morgan recently revealed its ESG Global Corporate Index. All these measures are constructed to help retailers make sense of their ESG strategy; benchmark their perceived strengths and weaknesses against their peers or organisations from other sectors. And whilst these measures provide a valuable snapshot, what they don't do is convert intention into action or, in other words, turn strategy into a tactical plan that can be operationalised.

Whilst on the surface of it this might not be viewed as a problem, the reality is that the gap between intention and action is a major contributor to strategies falling by the wayside. Moreover, research by Sheeran and Webb (2016) reveals that within strategies the intentions that fail to be realised are those that are complex, large, poorly planned, or too conceptual.

Operationalising ESG

What has become clear over the course of the past 12 months is that ESG is not just a corporate fundamental to be measured and benchmarked, it is increasingly becoming an operational concern for several reasons. COP 27 starkly highlighted the need for more action and one of the key asks of business leaders was to drill down to the nitty gritty of carbon emission reduction. Another driver is less altruistic and more to do with the cost of doing business. This is rising at an alarming rate and shareholders are demanding expenditure reduction across the board. With the price of electricity and gas soaring, an obvious place to start is energy consumption.



Energy consumption reduction.

Like with overarching ESG strategy, when it comes to energy consumption reduction, there are different approaches that can be taken. A case in point is the open/closed door debate. Due to the recent cold snap the media has been full of reports investigating the impact of closed doors on the high street. Do the cost savings of keeping the door closed, mitigate the level of lost sales? In France, during the summer, retailers weren't given an option. Air-conditioned stores were ordered to shut their doors during the heat wave or face legal action. But the reality is, whilst this is an important element, open or closed doors is not an energy consumption reduction strategy. And the fact that none of the reports were founded in data, speaks volumes. No retailer would decide to open a new store without detailed analysis, the same should hold true when it comes to energy consumption. Without understanding the underlying data, any decision can only be based on the best guess and more importantly, progress can't be measured (and therefore celebrated).

Mobilising energy data, like you would customer or EPOS data, is a game changer. It is a valuable resource for three reasons:

1. **Retailers can understand their energy consumption and find tangible ways to reduce it contributing to their ESG Scope 1 and 2 goals**

2. **Retailers can provide a better experience for their customers and teams members by optimising instore temperature and humidity. This results in a better workplace environment which positively impacts productivity and contributes to an uplift in sales**

3. **Retailers can derive insight from this new data source and convert it into the creation of new streams**

The value of energy data

These benefits have recently been realised by DFS and Robert Dyas. Both retailers invested in smart infrastructure turning their sites into state-of-the-art data rigs that report back energy information in real time. Having this data across the whole of the estate means it has been possible to reduce energy consumption by optimising the air quality, humidity, and temperature controls for each site. This is controlled centrally but can be activated locally meaning that store managers, for example, do not need to manually change settings or remember to turn lights and heating off. Additionally, by syncing data with external data sources such as the weather forecast, pragmatic recommendations can be made in real time on a location-by-location basis regarding when the heating needs to be turned on and at what temperature to ensure an optimum temperature for opening. It also enables proactive maintenance and alerting for instance, the ability to schedule engineer callouts without human intervention. The approach to centrally managing the entire estate, means that changes to policy, such as air quality levels or temperature settings can be rolled out to individual sites via a single central action.

Both businesses have reduced energy consumption by a third and have improved employee productivity and wellbeing through enhanced air quality and temperature control. This also makes stores more comfortable for customers, enhancing the overall customer experience, leading to increased sales. Specifically, for DFS there has been a reduction in CO_2 across the estate of over 1,100 tCO_2 per annum which is equivalent of the carbon emissions of over 400 homes. The reduction in expenditure on energy means that the project has already paid for itself.

Furthermore, emerging technology is enabling faster, smarter approaches to energy reduction. For instance, by creating a digital twin of each site we can create simulations that predict how the site will perform under different variables. This means that retailers can redefine the process for store design and fitout, whilst optimising layout and time to deliver. Moreover, energy usage and traffic flow insight will enable enhanced space utilisation and product placement.

Pragmatism in 2023

The economic indicators are not favourable for 2023. The retail sector is facing a tough operating climate, but this does not mean that the Climate (with a capital C) can be forgotten about. Therefore, a pragmatic approach that couple carbon reduction with cost reduction is a no brainer when it comes to ESG in 2023.

So, how do you fare answering these basic questions?

- How many solar panels did you install across your estate last year?
- How many of your building are smart with proper software and control beyond last man switch off?
- How do you communicate your estate energy strategy?
- Do you know at a granular level how the spaces you own/manage are engaged with to support space optimisation through to customer engagement?

Too easy? How about these?

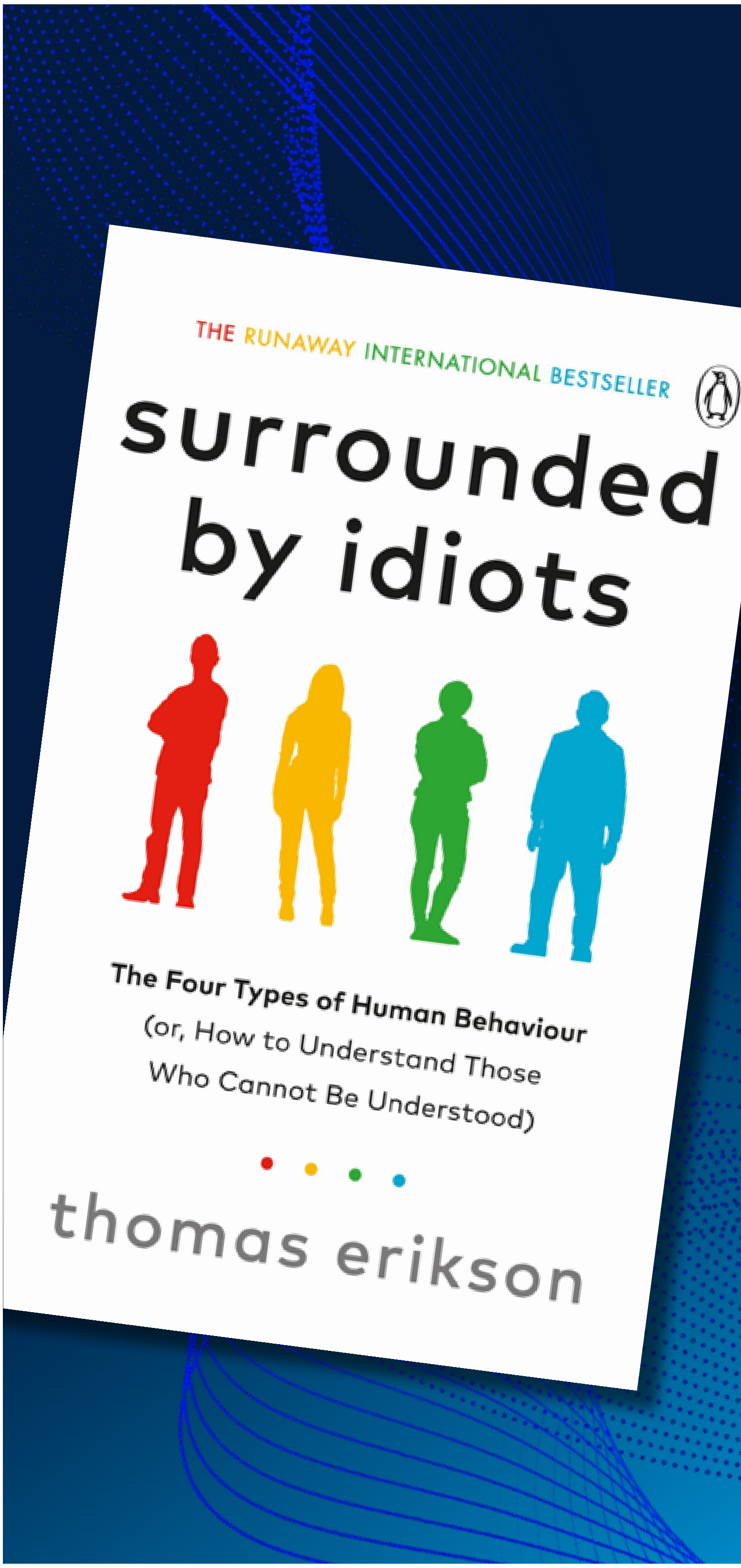
- Have you productised your ESG data?
- Are you treating ESG as a project or part of your operations?
- Have you allocated ownership of ESG to a team with the right capability, resource, budget and organisation clout to make things happen?
- Are you making the most of Smart Building technology?
- Are you working with your landlords or other third parties to mitigate the capital expenditure associated with generation?

If you've struggled with any of these questions perhaps now is the time to consider unlocking the value of your energy data.

READING BETWEEN THE LINES

Why you need to read or revisit Surrounded by Idiots: The Four Types of Human Behaviour (or, How to Understand Those Who Cannot Be Understood)

William Beresford
Chief Strategy Officer
Beyond



If you haven't yet come across this book by Thomas Erikson, I can't recommend it enough. But perhaps not for the reasons you might think! Yes, it provides an 'aha!' moment in terms of more effective communication within your business, but it also helps you put your data to work more effectively. And therein lies its true value.

Doubtless you will be familiar with Myer Briggs or Insights Discovery, both personality tests that classify people in the workplace by the traits they display. They were a popular part of the recruitment process back in the 90s and early 2000s. But where this book differs is that it makes little of the science behind the classification; instead it focuses on recognising your own and other's behaviours and provides strategies to help you change the way you communicate so that you can work and interact better with people that display different traits to your own.

Like Discovery Insights it uses colours to typify personality types:

Reds: Ambitious, boisterous, commanding
Blue: Quiet, analytical, precise
Yellow: Social, creative, optimistic
Green: Calm, reliable, considerate

That's all great, but why is this relevant to data?, you might ask. Well, having reread this book, I believe that getting under the skin of how people differ, recognising their personality traits and understanding how and why they express themselves in the way they do requires the same skillset you need to successfully work with data.

Perhaps your ultimate goal is driving some kind of performance improvement; such as cost reduction, better quality, deriving greater value or enhancing the customer experience using new insight derived through data analysis or automated decision making as recommended by an algorithm developed through cutting edge AI or machine learning. However, for most people data is invisible. Therefore, trying to convince them to change their mindset or alter the way they do things based on intangibles is an uphill battle. Challenging the status quo because data insight provides a different picture to the long-accepted business intelligence means you can very quickly find yourself in deep water, swimming against the tide, fighting to be heard as your colleagues naturally push back against new ideas and change. And this is where understanding personality traits comes in. Recognising the types of people that you are working with and how best to communicate your new ideas to them is a powerful tool to help you achieve that end goal.

At the end of the day value only gets realised when change happens. Customers don't magically alter their behaviour. To get them to buy more frequently, increase their spend, engage more, means the business must do something to trigger this. And that change, like it or not, requires the people in your organisation to make it happen.

Your data and your data efforts are worthless without the people to affect change. Failing to bring people on the journey means you can't realise the outcomes you need. The old adage your success is a team effort is true. Which is why you need to understand your stakeholders as well as, if not better than, you do your data. And this book will get you on your way.

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