Why Data Is Key to Retail Success

Article

With store closures and bankruptcies—Toys 'R' Us, Sears and Brookstone, to name a few— showing no signs of letting up, it raises the question of what sets a successful retailer apart from the rest.

According to a new study by Snowflake Computing and Harvard Business Review, companies that make data-driven decisions have the best chance for longevity. Yet across industries, they found that only 5% of retail and CPG enterprises qualify as data-driven, half of the survey average (10%).

This stands in opposition to stated goals. The retail industry had the highest number (89%) that placed great importance on getting better insights into customer needs and expectations. Faster decision-making was also a priority (79%) as well as improving process and cost efficiency (68%).

What is holding retailers back? The biggest challenge cited was human in nature; 44% said they lacked the digital and data analytic skills to transform. More than one-third cited internal resistance to change while 29% blamed legacy processes.
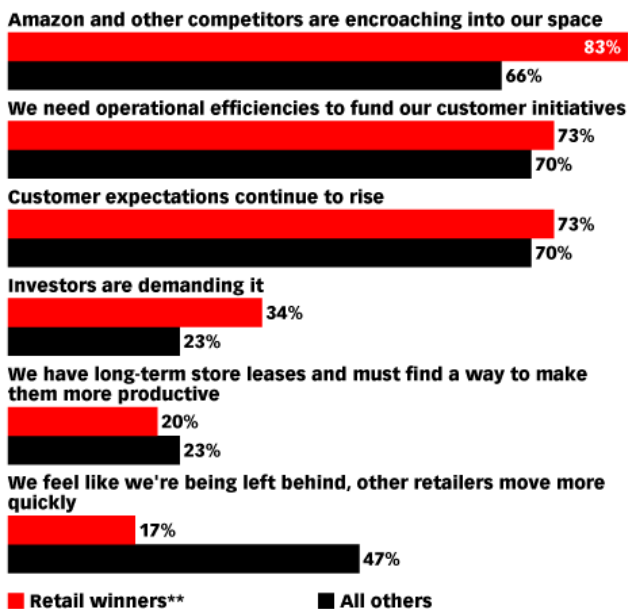
These same factors are often cited when companies are pressed for causes delaying digital transformation. Recent studies by Vanson Bourne and IDG showed legacy systems and cultural resistance were barriers.

A July 2018 survey by Retail Systems Research (RSR) delved deeper into the differences between retail winners and all the rest. Far more winners believed that data has become a strategic asset that is critical to retailing success (88%) than those with lower annual sales (68%).

These retailers weren't just asked about challenges, but also their effect on driving innovation. Winners were motivated by the competition, Amazon in particular (83%), and focused more on the customer than average performing retailers.

What Business Challenges Do Retailers Worldwide* See Driving Innovation? July 2018
% of respondents

Amazon and other competitors are encroaching into our space
- 83%
- 66%

We need operational efficiencies to fund our customer initiatives
- 73%
- 70%

Customer expectations continue to rise
- 73%
- 70%

Investors are demanding it
- 34%
- 23%

We have long-term store leases and must find a way to make them more productive
- 20%
- 23%

We feel like we're being left behind, other retailers move more quickly
- 17%
- 47%

■ **Retail winners****　　　　■ **All others**

Note: respondents chose their top 3; *72% headquartered in the US and 20% in the UK/Ireland; **retailers with a better-than-average YoY retail sales growth
Source: Retail Systems Research (RSR), "2018 Ramping Up Retail Innovation," Sep 15, 2018

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Not surprisingly, nearly half (47%) of the non-winners felt like they were being left behind. More were reacting to circumstances like long-term leases rather than being proactively innovative.

One standout trait of successful retailers was discovered to be a culture of experimentation and tolerance for failure, a notable factor since the industry has a reputation for playing it safe.