Custom Research

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ART AND SCIENCE OF ADVANCED ANALYTICS

More than one-fifth of retailers are investing at least 10% of their IT budgets in raising their analytic IQs

Most retail line-of-business skills are teachable — assortment planning, supply chain, store operations. Some require an element of art — marketing and merchandising. But some require a solid grounding in hard science, such as advanced analytics and big data.

Given this requirement it is not surprising to see that most retailers (37.8%) locate the decision maker for managing, executing and investing in advanced analytics under the umbrella of the CIO. CIOs are not craftsmen nor are they artists. They are science-driven executives who work within the immutable laws of bits and bytes. Therefore, investments in analytic projects are not entrusted to marketing (13.5%) nor merchandising (8.1%) in most organizations. The only constituency that has a large say in analytic investment aside from the IT department is the C-suite at 29.7%. (See Figure 7.)

As we have discovered in other recent *RIS* studies, most retailers (57.9%) are still on the first step of an analytic maturity model 31.6%. We define the first step on the maturity model as being reactive, which means the retailer knows what happened in sales performance, for example, by using historical data. The second step on the maturity model is defined as proactive, which means the retailer knows who drove sales performance, for example, by applying a customer segmentation filter. (See Figure 1.)

Although the vast majority of retailers (78.4%) are devoting less than 10% of their annual IT budgets to big data and advanced analytic capabilities, the good news is that more than a fifth are above the 10% threshold. (See Figure 2.)

This select group will be among the first to leap up the advanced analytics maturity ladder to the upper levels of predictive and prescriptive capabilities. Few retailers reside there today. Those that achieve these levels of analytic maturity will be able to reap the benefits of predicting shopper behavior and creating new opportunities to capitalize on the insight. **RIS**

Figure 1

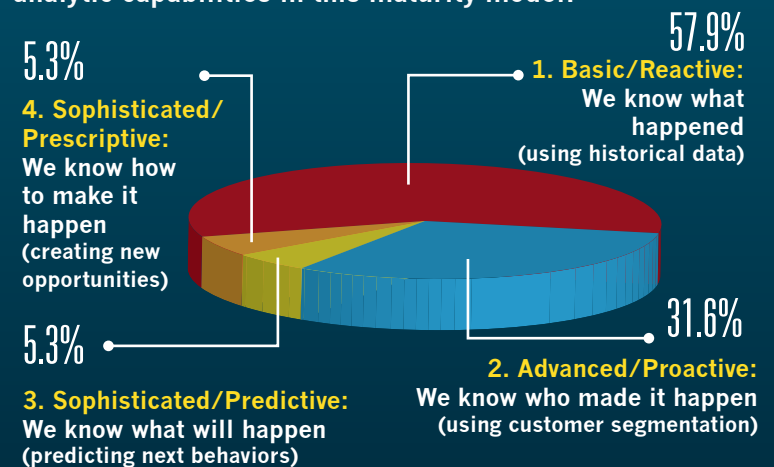**Where do you place your organization's overall analytic capabilities in this maturity model?**

- **57.9%** — **1. Basic/Reactive:** We know what happened (using historical data)
- **31.6%** — **2. Advanced/Proactive:** We know who made it happen (using customer segmentation)
- **5.3%** — **3. Sophisticated/Predictive:** We know what will happen (predicting next behaviors)
- **5.3%** — **4. Sophisticated/Prescriptive:** We know how to make it happen (creating new opportunities)

Figure 2

How much of your organization's annual IT budget is devoted to big data and analytic capabilities?

<1%	1-5%	5-10%	10-15%	>15%
18.4%	28.9%	31.6%	13.2%	7.8%
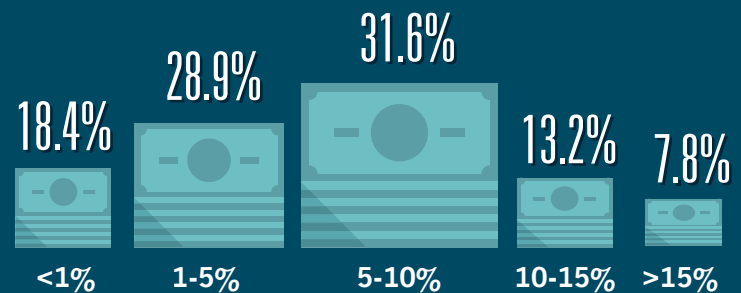
Figure 3

How much did the annual IT budget devoted to big data and analytic capabilities change year over year?

Decreased >5%	2.7%
Decreased 1-5%	5.4%
Remained flat	35.1%
Increased 1-5%	35.1%
Increased 5-10%	16.2%
Increased >10%	5.4%
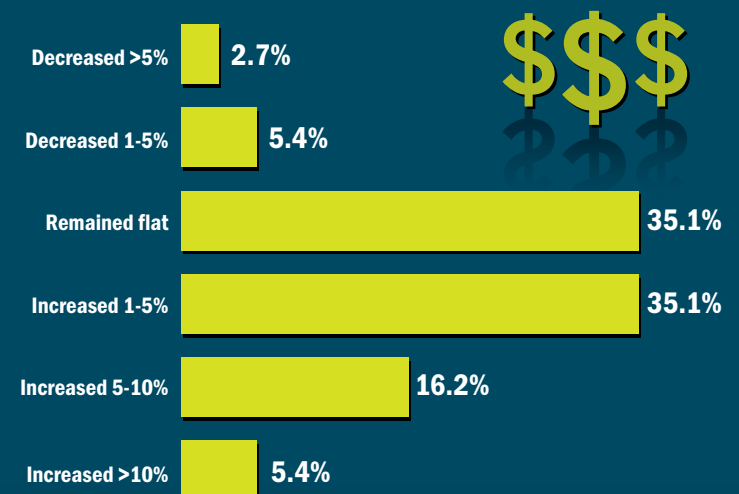
Figure 4

Top 3 strategic drivers shaping retail analytic priorities

42.1%
Streamlining systems and processes to be more efficient/accurate

39.5%
Optimizing systems and processes to reduce costs

36.8%
Building a culture of analytics to better leverage insights

Figure 5

Top 3 departments driving expansion of advanced analytic capabilities

76.3%
Marketing

60.5%
Merchandising

31.6%
Store/Channel Operations

Figure 6

Advanced analytics projects your organization will begin in the next 12 months:

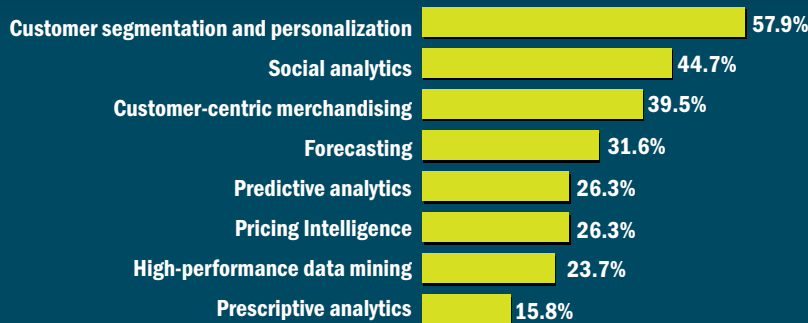| Project	Percentage
Customer segmentation and personalization	57.9%
Social analytics	44.7%
Customer-centric merchandising	39.5%
Forecasting	31.6%
Predictive analytics	26.3%
Pricing Intelligence	26.3%
High-performance data mining	23.7%
Prescriptive analytics	15.8%

Figure 7

Where in your organization is the decision maker located who is responsible for managing, executing and investing in big data and advanced analytics projects?

8.1% Merchandising

8.1% Each department has its own

13.5% Marketing

37.8% IT department

29.7% C-suite
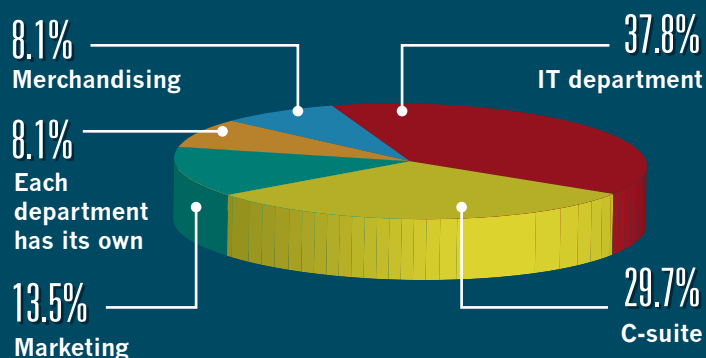
Getting Personal with Advanced Analytics and Big Data

It all started in the store with a customer. Then one customer turned into many customers. Then the store transformed into a channel in a world of multiple channels (mobile, social) where the face of your customer became murky due to drowning in the sheer volume of data. Sound familiar?

Your customer doesn't care if you can't handle the Big Data tidal wave. They are too busy wading through the thousands of daily marketing messages received via social, mobile, email, broadcast and print. Your lifeboat: Manthan's Customer360 solution. Customer360's advanced analytics solutions convert Big Data into a manageable current you can ride to shore — a place were you truly understand your individual customer across the sea of multiple channels.

Understanding your customer is merely the first step in the process. The following step adds more complexity to the mix, that is, the delivery of personalized, relevant communications and offers to your customer base to drive new revenue opportunities. Don't worry: Manthan's Customer360 targeting and personalization solution enables you to connect the dots between predictive analytics, customer insights and relevant marketing communications. Revenue targets? It's all smooth sailing when you can deliver true 1-to-1 marketing to your targeted shoppers with any method of communication, like email, SMS, native mobile apps or social media.

It's time to predict. It's time to get personal. Get on board with Manthan.

For more information, visit www.manthansystems.com or email info@manthansystems.com.

manthan

Analyze. Decide. Do.

manthan
Analyze. Decide. Do.

Figure 8

When does your organization plan to shift to a robust analytics platform that handles all or most of your organization's big data and advanced analytic needs?
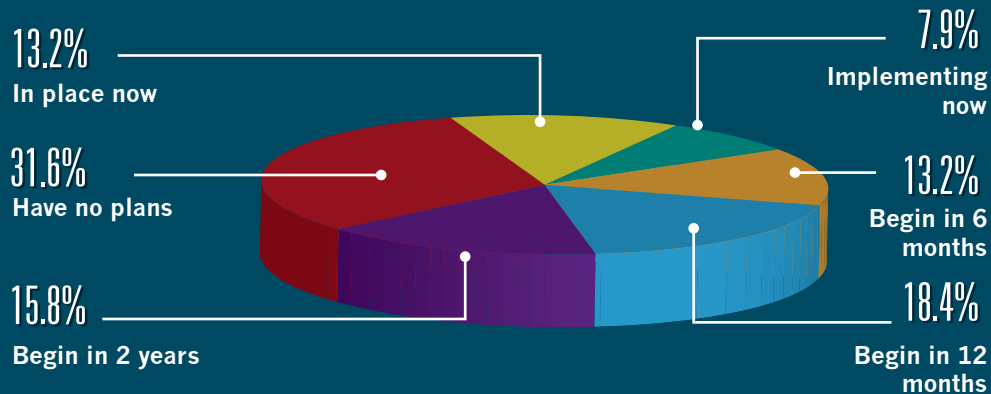
- **13.2%** In place now
- **31.6%** Have no plans
- **15.8%** Begin in 2 years
- **7.9%** Implementing now
- **13.2%** Begin in 6 months
- **18.4%** Begin in 12 months

Figure 9

For which core retail functions will big data and advanced analytic capabilities deliver measurable performance gains?

- **68.4%** Personalized marketing
- **55.3%** Customer loyalty
- **52.6%** Inventory management
- **47.4%** Forecasting accuracy
- **31.6%** New store openings
- **31.6%** Pricing – initial, promo and markdown
- **28.9%** New customer acquisition
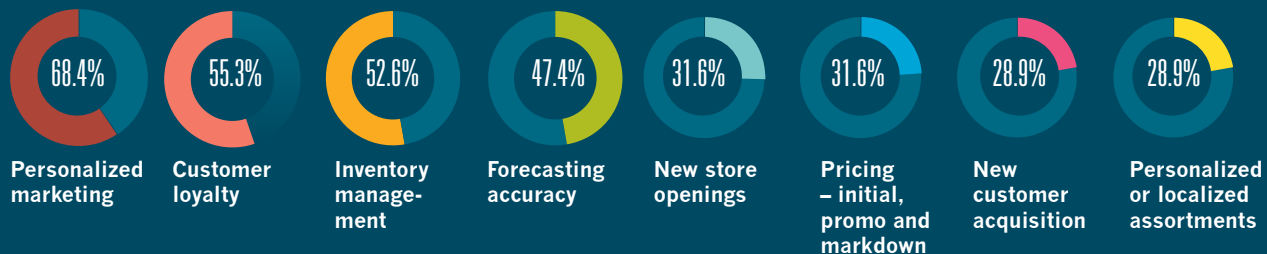- **28.9%** Personalized or localized assortments

Figure 10

3.8

Importance of **BIG DATA** and **ADVANCED ANALYTIC** capabilities to your organization's future success, which refers to financial performance, competitive position in the marketplace, customer engagement and productivity.

(Rating scale: 1 stands for lowest level of importance and 5 the highest.)

Figure 11

What is your organization's annual revenue?

- **34.2%** < $100 million
- **23.7%** $100 million to $500 million
- **7.9%** $500 million to $1 billion
- **15.8%** $1 billion to $2 billion
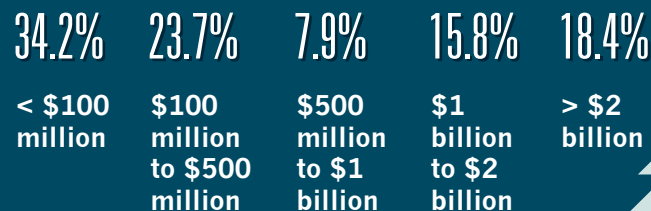- **18.4%** > $2 billion

Figure 12

How did your company's sales revenue perform in the last 12 months?

- **43.2%** Increased > than 3%
- **35.1%** Increased between 0 - 3%
- **21.6%** Decreased