TOO MUCH INFORMATION?
DON’T LET DATA COME BETWEEN YOU AND YOUR CUSTOMERS
“Retail is detail” is a cliché: but clichés sometimes highlight important truths. It is the detail of product, store and website that drive customer satisfaction, and hence retailer performance. But in recent years “retail is detail” has increasingly meant “retail is data”: the types and volumes of information available have proliferated, and retailers have spent plenty of time and money trying to figure out how best to use it.

The theory has been that more data means better decision making, and better decision making means a better customer experience. But in practice, becoming data-driven is not as easy as all that. We frequently see two problems:

1. **A flood of data:** category managers and buyers become overwhelmed by a flood of information, hampering their ability to make good decisions because there simply isn’t enough time in the day.

2. **Disconnection from the offer:** category managers have become chained to their computers and burdened with endless rounds of meetings. These days, they don’t have enough time to visit stores, talk to customers, nor see what competitors are doing, and so become increasingly disconnected from the offer as customers experience it.

This article describes some ways of dealing with both of these problems – using data to strengthen the connection with customers, not weaken it.
1. COPING WITH THE FLOOD OF DATA

In attempting to turn themselves into data-driven organisations, retailers become inundated with a flood of data that is often raw, incomplete, or ambiguous. Instead of making life easier, new data actually makes it more difficult and leads to frustration and overload. Review processes and meetings spring up to discuss what the data means, and what it implies for managing the business, cramming yet more work into overcrowded days. The data can also defeat the purpose: instead of enabling faster and better decisions, things slow down and decision quality deteriorates.

Most category managers recognise these problems, but how can they solve them? Often they simply ignore the new data and reports that they get – one reason why it is often so hard to change how traders make decisions. And then other departments (Marketing, Strategy, or Insights) may pick up the data instead, but since only the traders understand their categories in depth, this means the subtleties of (for example) range and pricing are neglected, and tensions inevitably arise when someone else tries to tell the traders what to do. Or category managers offload the problem to suppliers who are usually willing and able to help, but are not always the most impartial source of advice. And if category managers do decide to use the new information to help them run their businesses better, something else inevitably has to give.

All of this can translate directly into weaknesses in the store offer as category managers miss the signals from customers in the noise of data and reports (see Exhibit 1).

**EXHIBIT 1: TELL-TALE SIGNS OF INFORMATION OVERLOAD**

- A proliferation of duplicate products which do not command customer loyalty, often because collecting fees from suppliers is a time-efficient way to deliver the numbers in the short-term.

- A weak entry-price-point offer, particularly versus other retail formats, as time pressures force category managers to focus too much on direct competitors and directly equivalent lines and not enough on other retailers with competing but not identical products where price comparisons are harder to make. Uncompetitive own-label pricing can have similar underlying causes.

- Distorted price architectures with good competitiveness on key value indicators (KVIs) but large price gaps on secondary lines – because KVI pricing tends to be better tracked and more thoroughly monitored.
So how can retailers create and maintain analytical rigour without overwhelming those making the decisions? The key is to focus ruthlessly on what’s important, not on what’s interesting – and what’s important is that each decision is made simply, quickly, and well. By directly targeting the decision that needs to be made, the data and insights can be presented in the most condensed and focused form possible. Indeed, an understanding of what decisions need to be made should drive the data and insights agenda in the first place – too often it is the other way round. Therefore decision support tools need to be designed to really support decision making, and not just give traders yet more data to decipher.

Changes to management processes and systems may also be required. What meetings are actually important? Who needs to be in them? What decisions need to come out of each? Meetings that simply review data or kick around interesting insights but don’t directly inform decision making should be eliminated or re-engineered. Of course, it’s often worth reviewing whether any of the decisions people make today should in fact be made by someone else or automated.

2. DEALING WITH THE DISCONNECT

The second problem with a data-driven approach to retail – losing a sense of connection to the in-store offer – is a fairly recent phenomenon. “Old school” trading directors were famous for their unannounced store inspections, or for throwing a product down on a buyer’s desk and shouting “what is this doing in our stores?” While this didn’t necessarily do wonders for morale, it did ensure that category managers kept closely connected to the concrete reality of what products and prices their customers were seeing and buying (or not!).

But these days, category managers and buyers are stuck in head office: this is where the computers and systems are, and where the information they use to run their businesses is made available. This presents a real danger: the role can become narrow and introverted, divorced from the reality of product, store, website and customer.

Nonetheless, there are several practical ways to blend “old school” values with the best new insight, for example:

- Recreating the customer experience at head office
- Engineering out-of-office time into the cadence of the business
- Cutting the head office technology tether
RECREATING THE CUSTOMER EXPERIENCE AT HEAD OFFICE

Something as simple as a “range workshop” can be an effective way of helping category managers reconnect with their categories. Here, entire ranges from all competitors are bought and laid out on the floor, to recreate the way customers experience them and compare them (see Exhibit 2 for an example diagram of how the floor is laid out). Each product is labelled with important economic and customer data: for example, rate of sale, margin, substitutability with other products, and penetration for different customer segments.

EXHIBIT 2: CATEGORY RANGE WORKSHOP

Simplified example of typical category workshop insights and ideas:

**Bottled orange juice**

**SHELF PRICE (£)**

<table>
<thead>
<tr>
<th>RETAILER</th>
<th>Client</th>
<th>Competitor 1</th>
<th>Competitor 2</th>
<th>Competitor 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leading brand 1 litre</td>
<td>3.00</td>
<td>2.75</td>
<td>2.50</td>
<td>2.25</td>
</tr>
<tr>
<td>Secondary brand 1 litre</td>
<td>1.99</td>
<td>1.89</td>
<td>1.99</td>
<td>1.99</td>
</tr>
<tr>
<td>Secondary brand 500 ml</td>
<td>1.25</td>
<td>1.25</td>
<td>0.99</td>
<td>0.99</td>
</tr>
<tr>
<td>Standard Own Label 1 litre</td>
<td>1.00</td>
<td>0.99</td>
<td>0.99</td>
<td>1.25</td>
</tr>
<tr>
<td>Standard Own Label 500 ml</td>
<td>0.99</td>
<td>0.25</td>
<td>0.50</td>
<td>1.00</td>
</tr>
<tr>
<td>Discounter Own Label 1 litre</td>
<td>0.49</td>
<td>0.49</td>
<td>0.49</td>
<td>0.49</td>
</tr>
<tr>
<td>Discounter Own Label 500 ml</td>
<td>0.49</td>
<td>0.49</td>
<td>0.49</td>
<td>0.49</td>
</tr>
</tbody>
</table>

**REFERENCE INSIGHTS IDEAS FOR EVALUATION**

<table>
<thead>
<tr>
<th>INSIGHTS</th>
<th>IDEAS FOR EVALUATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strong KVI matching pressure at £1.99: unmet trade-up potential over £2.00</td>
<td>Develop new premium Own Label, £2.20–2.50 retail</td>
</tr>
<tr>
<td>No competitor lists the Secondary Brand; highly switchable to Own Label</td>
<td>Delist both sizes, drive volume into Own Label hence increase cash per unit</td>
</tr>
<tr>
<td>Discounter delivering lowest price/ml with 1 litre size</td>
<td>Introduce a 1L Tertiary/Price-Fighting Brand close to £1.25</td>
</tr>
<tr>
<td>Discounters driving strong price perceptions via £0.49 Entry Price: client needs to defend better</td>
<td>Introduce a new value line, lower specification than standard Own Label to hit £0.75</td>
</tr>
</tbody>
</table>
Workshops bring the category to life in a visual and tangible way, focusing attention on important issues that are hard to see when they are buried in spreadsheets. Clearly, lab stores take the tangibility one step further. They are particularly powerful when used in conjunction with range workshops, as any changes identified in a range workshop can then rapidly be mocked up and experienced.

**ENGINEERING OUT-OF-OFFICE TIME INTO THE CADENCE OF THE BUSINESS**

Some companies changed their weekly routine to leave certain blocks of time free of head office-centred activities that could prevent category managers getting out into the market. They start by being very clear about which meetings are going to be used to run the business and make the most important tactical decisions, then set a weekly schedule that leaves large blocks of time empty. This only works if the meetings themselves are decision-focused, the data that supports those meetings is well-defined and easy to access, and the traders’ decision-support tools facilitate simple and quick decision-making. Simply banning internal meetings on Fridays can often be a good place to start.

**CUTTING THE HEAD OFFICE TECHNOLOGY TETHER**

Even when category managers have the time to visit stores, they may still struggle to free themselves from the office as they rely so heavily on their computers. But what if the tools that traders used to run the business worked on tablets from anywhere? What if a trader could review their assortment or pricing while standing in a store or in a competitor’s store? We have been building that capability with some of our clients and we think it will soon become the norm. Once category managers can balance the science of data-based decision-making with a great merchandising eye and an intuitive understanding of the customer, the promise of a data-driven approach to retail will truly have been fulfilled.
CONCLUDING REMARKS

More data should help retailers perform better, but it can have the opposite effect, overwhelming traders and disconnecting them from customers. To avoid this, focus only on what’s important, rather than trying to analyse everything that seems interesting. This usually means taking a hard look at the way insights are packaged and communicated. At the same time, more time spent in stores and more frequent hands-on comparison of your own and competitors’ products can help traders build a stronger connection with the offer. In the end, new data and insights should complement old-fashioned retail wisdom – but they can’t replace it.
ABOUT OLIVER WYMAN

Oliver Wyman is a global leader in management consulting that combines deep industry knowledge with specialised expertise in strategy, operations, risk management, and organisation transformation.

In the Retail practice, we draw on unrivalled customer and strategic insight and state-of-the-art analytical techniques to deliver better results for our clients. We understand what it takes to win in retail: an obsession with serving the customer, constant dedication to better execution, and a relentless drive to improve capabilities. We believe our hands-on approach to making change happen is truly unique – and over the last 20 years, we’ve built our business by helping retailers and consumer goods manufacturers build theirs.

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