Mastering Retail
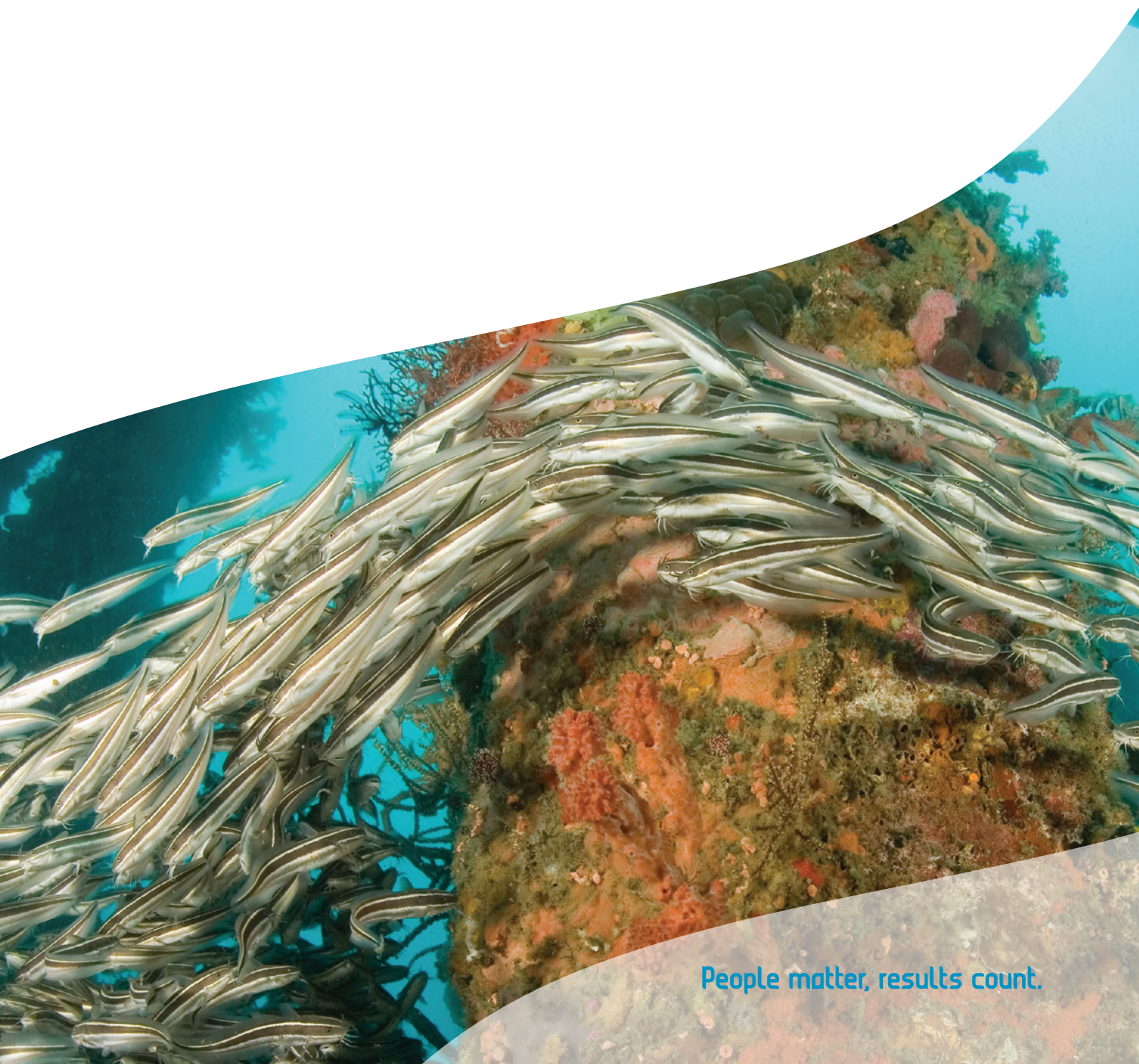
How the control of information is at the heart of a successful retail business

Control of Information is a Business Advantage in Retail

Retail is a competitive business and in the modern world the effective exploitation of information is a critical factor for business success. However, despite the fact that the retail sector pioneered the concept of mastering and controlling key pieces of business information, in many areas of the industry vital information remains beyond the control of the business.

The MDM Information Landscape
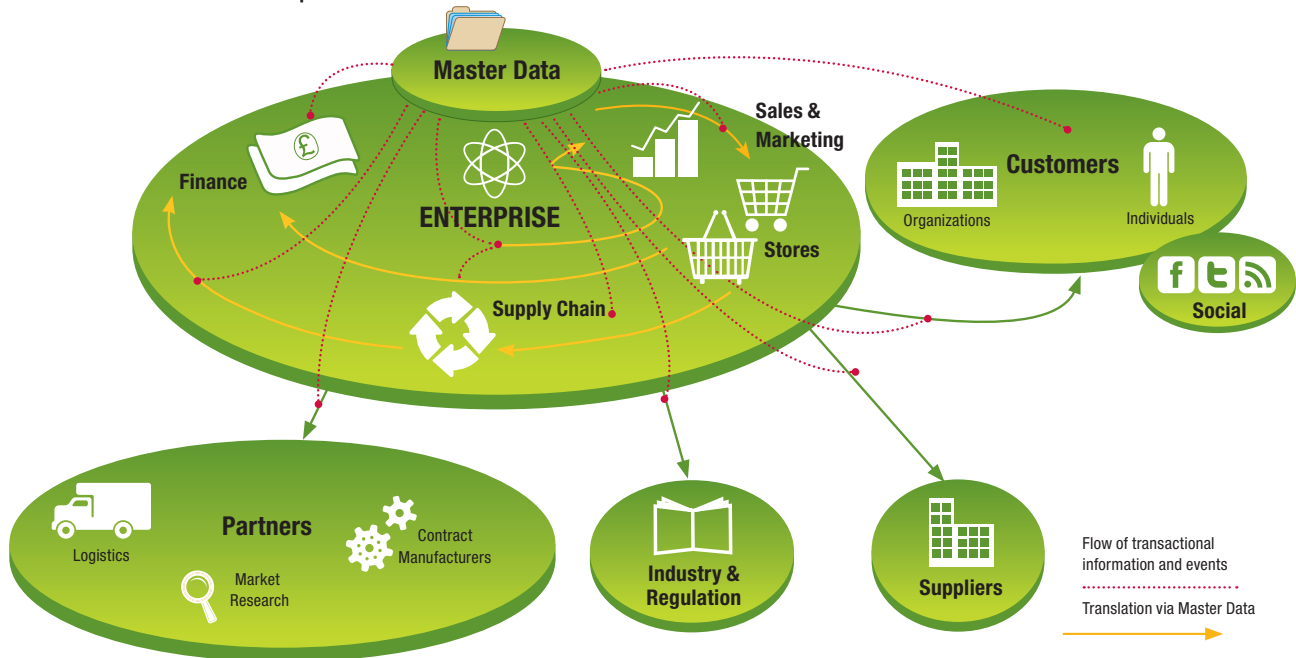
Taking control of information as a retailer is one of the key challenges of the next decade. As the impact of social media, individual customization, and individualized marketing change the way retailers deal with their customers, it is essential that you drive the changes required to deliver that control to the business. Inefficient control of core information is estimated to cost over $25bn per year for US-based retailers alone.

Barcoding the Business

For many years, all manufacturers coded products differently. This meant it was extremely difficult for retailers to automate their supply chain and stock management, as they had to cope with different approaches from different suppliers. Approaches such as barcodes were suggested but used sparingly and without consistency until one major retailer, Walmart, dictated their use to its suppliers.

The barcode is one of the great success stories of Master Data Management (MDM) since it provides a technically efficient way to differentiate every single product in the world. The barcoding system comes with a central repository for barcode and product information and has been extended by standards organizations such as GS1 to provide a single global view for producers, retailers, and—increasingly—by consumers themselves.

The change in the use of barcodes is an example of business change enabled by technology. The challenge for retailers today is to take the level of rigor used in product barcoding and apply that to the rest of the business.

The Three Domains of Information Mastery

Mastering information through MDM in retail is about solving three distinct challenges, each of which requires a change of approach in a specific area of business and delivers specific sets of advantages to a retailer.

Domain	Description	Key Challenge	MDM Benefits
Customer-Centric	Covers customers, the products they buy, and their relationship to others.	The adoption of social media.	Helps retailers to sell better, service better, and understand selling patterns.
Enterprise-Centric	Helps to deliver a unified business. A single view of stores, locations, distribution networks, employees, and finance.	Driving efficiencies through standardization.	Reduced costs throughout the business, combined with greater accuracy in forecasting, planning, and operations.
Supply-Centric	Managing suppliers, product substitutions, and procurement.	Smarter stock management.	Helps retailers to reduce the cost of their supply chain.

Mastering Data for Retailers

Working with a major US retailer, Capgemini was able to rapidly deliver an MDM solution that enabled the organization to create a single unified view across its customers and thus gain greater insight into buying patterns and cross-product-line cannibalization. The business change within the retailer to improve customer information capture is not only having hard benefits in terms of better selling volumes but is also improving the brand of the retailer with its customers.

Mastering your Clients

A customer walks into a store, checks in via FourSquare, and starts to shop. The store's marketing analytics kick in, linking the check-in to the customer's loyalty account; as the customer walks around the store, they receive an update via MMS for a set of vouchers to discount some higher value products (which they have previously bought in combination with other high-value products).

The customer uses the vouchers to buy the additional high-value products, resulting in a larger basket value than normal.

This future vision of the integration of the retail experience with Social Media is not far away. Already, retailers and brands are marketing via social media; by bringing social media into traditional retail environments, it becomes possible to more effectively sell, market, and service your customers.

To realize this future, there must be a robust Customer Information Governance group within the business, which agrees the policies for identifying customers, matching, merging, and accessing the federated information of the customer who lives on the Web. Only once it is clear how the organization will address these challenges will an MDM effort be ultimately successful.

Mastering your Enterprise

One store, one brand, one identity: that is the goal of any successful retailer. From store layouts to distribution networks, the information that describes all of the core assets of the company is vital to planning for the future and reacting to the present.

This means that the core elements of the business need a single definition and a single set of policies and procedures. If different parts of the business are able to create independent product hierarchies, store descriptions, or even employee descriptions, it becomes impossible to create a unified view of the business.

A major retailer was suffering from poor stock management. An analysis revealed that the issue was that they were not handling cross-product cannibalization well. The reason for this was that they did not have strong product hierarchies to reflect how products from different suppliers were related. By creating a business team and set of processes to manage and track these hierarchies, it was possible to factor in the issues of sales cannibalization and thus significantly reduce the out-of-stock problems.

Without strong MDM within a retailer, the ability to manage the organization as a single company is significantly hampered and inefficiencies created. By taking control of this internal information it becomes possible for the retailer to create what can truly be called a 'single company'—both internally and to the market—and thus deliver the economies of scale and consistency that today's competitive marketplace demands.
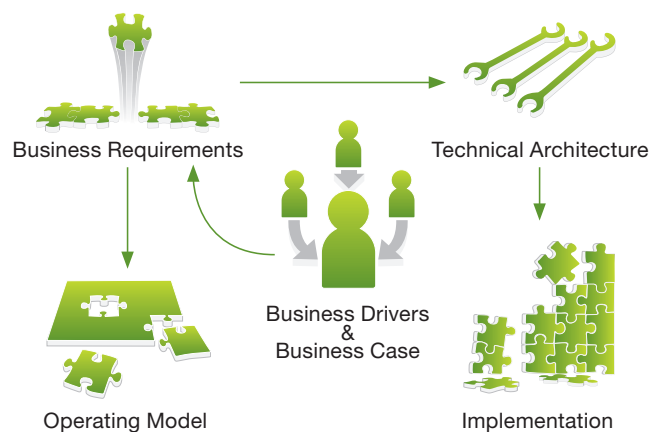
Mastering your Suppliers

The third part of information mastery is in managing suppliers, the supply chain, and procurement. Here the product hierarchies defined for the enterprise become tools in negotiations as they demonstrate the real-world consumer substitution practices. Here the mastering effort is externally focused, often using elements such as GS1 and the various global data providers to provide your organization with a robust and visible set of information.

Mastering in the supply chain area of a retailer is one that can deliver significant benefits: often the inefficiency created through poor master data represents a significant percentage of the overall costs of a retailer. Not taking control of master data in the supply chain area therefore is the equivalent of running stores without stock, it has a direct impact on the bottom line of the company.
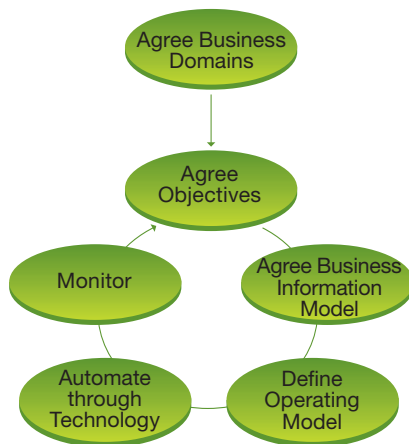
A retailer had an explicit business goal to increase its use of targeted marketing. The Customer-Centric MDM team recognized that to achieve this goal the company needed to capture information about customers, to a new level of quality, through their loyalty program. By showing how the increase in quality directly impacted marketing success, the team was able to demonstrate clearly the benefits that MDM would bring.

The Five Pillars of Successful MDM Initiatives

Business Requirements

Technical Architecture

Business Drivers & Business Case

Operating Model

Implementation

Mastering Information in the Retail Sector

Agree Business Domains

Agree Objectives

Monitor

Agree Business Information Model

Automate through Technology

Define Operating Model

Starting to Master Information in Retail

Capgemini's approach to MDM is based around the 'Five Pillars of MDM'. This provides the framework within which an organization can reach a successful operational MDM solution. The first, and most important, step is to break the problem down into its three business domains and engage as a business around those domains with a thin co-ordinating layer. These domains then concentrate on establishing the measurable objectives against which MDM will be measured. Today, over 80% of MDM projects are not justified to the business. Capgemini's experience is that this usually occurs because those projects did not have clearly measurable business objectives from the start.

Once the domains are clear and each domain has its objectives, it is time to understand the business information model that can meet those objectives.

Only once you are clear on the business information model required to meet the objectives should you consider starting an MDM program that covers both the operational and technical changes required. Without an operational model that is geared towards the realization of the objectives, you are left with technology that fails to deliver.

Mastering information is a business challenge and should be treated in the same manner as any other business program within a retailer.

Conclusion

Retailing is now an information business. Focused efforts on procurement, marketing, and store layout have always been central to a successful retailer, however often the quality and trust of the information in internal IT systems has not matched the importance of the decisions made based on that information. As elements like social media change the way consumers spend and with the ability of retailers to make significant savings within the supply chain area this separation of information management from the business cannot continue.

Fortunately the practices to solve these problems are already known to retailers; indeed it was the retail sector that pioneered many of them, though today it often lags behind other sectors in the rigor of its information management and the accuracy of its information exploitation. The next generation of successful retailers will be those who consider the quality and trust of their information to be an integral part of their business success.

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