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Integrated Category Analytics & Insights

With the **right analytics in place, big data can transform retail decision-making**, particularly in the area of category management. **Category managers can use information** like social media sentiments, weather forecasts, and local event calendars **to predict buying behavior and adjust their activities and propositions accordingly**. Until recently, the necessary analytics have been out of reach of all but the largest retailers, but a new offering from Capgemini makes it available on an as-a-service basis. By subscribing to Capgemini's integrated category analytics & insights, companies can use big data to **inform their decision-making** without the usual investment requirement and complexity.

Retailers now have an easier way to turn big data into advanced, practical category insights

Customers are becoming more savvy and demanding; understanding how and why they behave as they do is getting more challenging. The retail industry knows it must change to meet this challenge. Already, around 83% of leading retailers are focusing more on the consumer, compared with just 47% of lower performing retailers.[1]

In order to improve the way they respond to consumers, retailers must harness the massive amounts of data that those consumers are sharing about themselves via their transactions and the opinions they express online about products.

The rise of smartphones, tablets and social media has accelerated the growth of this type of data. Retailers today have access not only to basic demographic information about a customer, but also their purchase history, call center interactions, mobile/social interactions, supply chain data and more.

Leading retailers are now turning to new customer analytics and big data applications to pull together insight from multiple data sources such as social media, transactional data, and email in order to develop a 360-degree view of the customer.

Big data and analytics can revolutionize category management

Category management is where this insight can arguably bring the greatest benefit. Category managers can use it to customize offers, optimize marketing performance, and deliver unprecedented levels of customer engagement.

As many as 81% of consumer packaged goods (CPG) manufacturers and retailers regard category management as extremely important when it comes to obtaining and using consumer insight. Indeed, consumer/shopper insight is rated as a top category management activity by 88%, followed by execution capability (73%) and ability to listen (71%).4
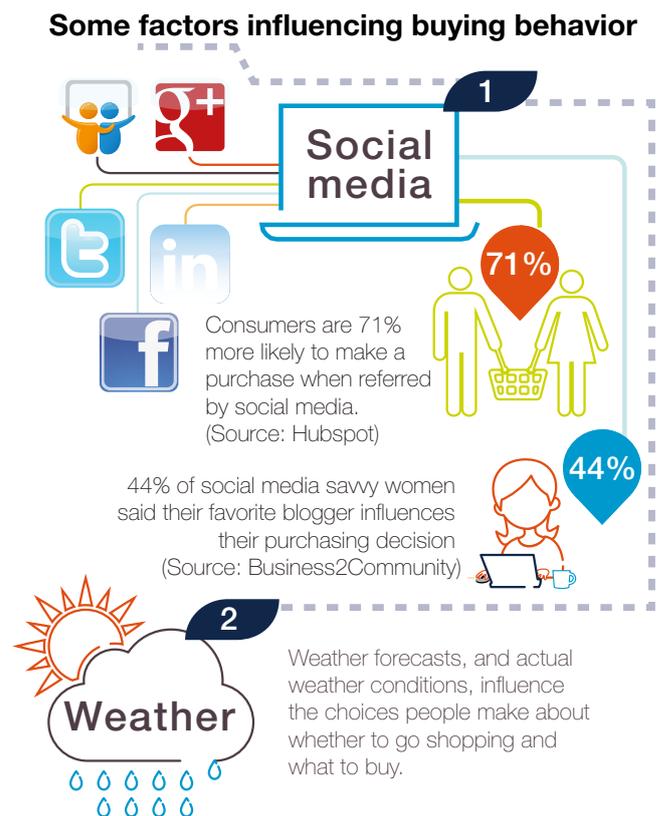
The McKinsey Global Institute estimates that data volume is growing by 40% per year, and will grow 44-fold between 2009 and 2020.[2]

About 62% of retailers report that the use of big data and associated analytic techniques is creating a competitive advantage for their organizations – "Analytics: The real-world use of big data in retail"[3]

In other words, the retailers hope to use category management, in conjunction with insights from big data analytics, to understand the factors that influence buying behavior – factors that include social media activity, syndicated research, demographics, the weather, local events, and much more.

With the rise of big data analytics, then, category management today need not be limited to tactical planning based on inputs from traditional merchandise planning systems. Retailers can also take externally sourced information about the factors influencing buying behavior and combine it with their own shopper insights and marketing intelligence to frame category management recommendations and unlock growth.

Figure 1: Some factors influencing buying behavior

Some factors influencing buying behavior

1 Social media

71% Consumers are 71% more likely to make a purchase when referred by social media. (Source: Hubspot)

44% 44% of social media savvy women said their favorite blogger influences their purchasing decision (Source: Business2Community)

2 Weather

Weather forecasts, and actual weather conditions, influence the choices people make about whether to go shopping and what to buy.

1 Source: http://www.retailtechnology.co.uk/news/4715/big-data-analytics-add-value-find-surveys/

2 Source: http://www.mckinsey.com/insights/business_technology/big_data_the_next_frontier_for_innovation

3 Source: http://insights-on-business.com/retail/retail-analytics-study-use-of-big-data/

4 Source: Lempert Report- Kantar Retail Survey

Mid-sized companies are struggling to achieve this vision

Unfortunately, the reality is that many retailers – apart from "big box" ones – don't yet have the analytic capabilities they need to predict behavior and improve their propositions to customers. About 86% of retailers say they lack the tools to develop an accurate merchandize/category forecast plan from consumer demand patterns, historical data, and seasonality.

This finding is underlined by a report from Ventana Research, which states that only 34% of retail companies are currently satisfied with the processes they use to create analytics. A possible explanation for that dissatisfaction is the fact that 71% of retailers are still using spreadsheets as their primary data analysis tools, the research notes.

Capgemini's solution

Clearly, category managers of many mid-sized companies currently have only limited visibility of the external factors that influence behavior. Capgemini's Integrated Category

Analytics & Insights service tackles this challenge fast and cost-effectively. The service enables mid-sized retailers to gain insights that will catapult business performance to the next level. You'll be able to use factors like those discussed above to identify trends and make near real-time decisions.

By using this solution, you can get rapid, accurate answers to questions such as:

- What combinations of products do shoppers buy most often?
- How can I use insights from affinities analysis to achieve on-floor benefits?
- Are there hidden purchase patterns that I can use to manage supply?
- What campaigns should I run to target a particular customer segment?
- Have past campaigns been effective in improving my bottom line?
- How can I resolve post-promotion inventory gluts?

Figure 2: Harnessing the power of Big Data combined with our mature *Predictive Analytical capabilities* to drive on-demand insights per your needs at your finger tips

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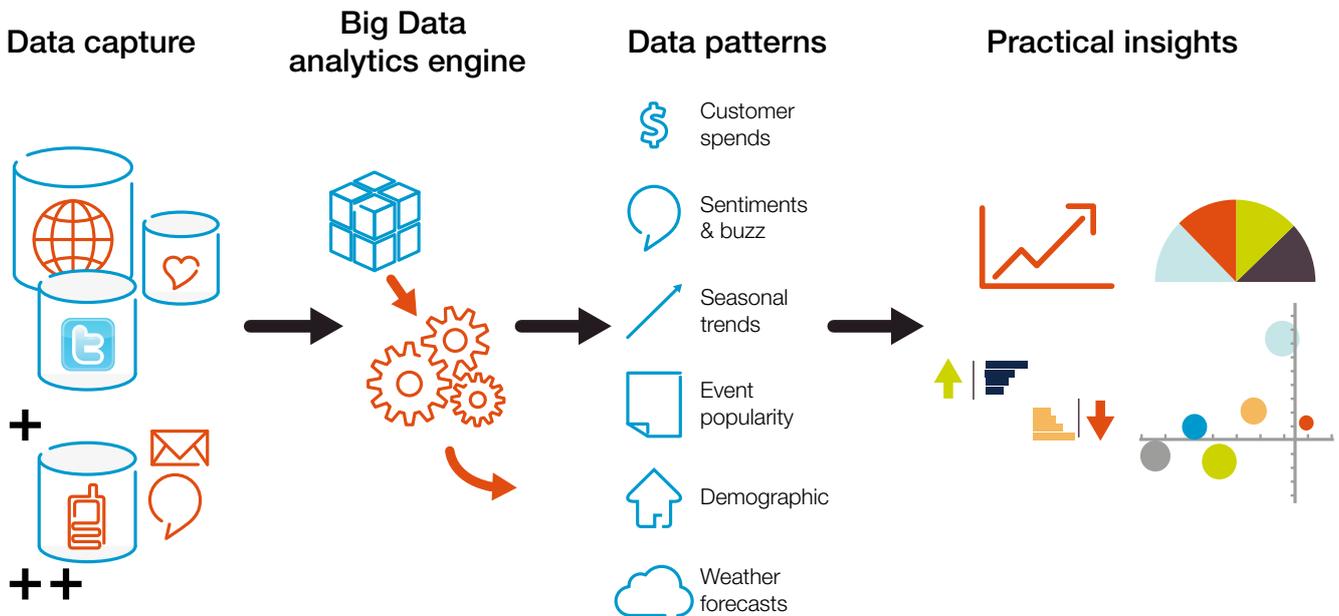
Source: Capgemini

Our big data analytics engine will help you prepare accurate forecasts taking into account all the factors that may influence overall sales of the category. We can work with both structured and unstructured data, as shown in Figure 3.

Figure 3: Data Needs (Data Points by Granularity for Analytics)

Data type		Key data points	Granularity
Point of sale **+Campaigns**		Sales transaction records (long term), campaign / trade calendars, price logs	Daily / Weekly
3rd Party syndicated		Retailer market ACV, price, distribution, sales, share & trends, category sales & trends by vendors, brands, pack types, SKUs, category specific product attributes	Weekly / Monthly
Household (HH) panel		Consumer purchase transactions, frequency, % HH buying, penetration	Weekly / Monthly
Loyalty card		Member count, profiles, loyalty tiers, accurals info, redemption rules & details	Daily / Weekly / Monthly
Market survey		Consumer brand / product opinions, preferences, other demographic information	As available
Shipment		On-hand position, inventory at store / retail DC, store orders and receipts	Daily / Weekly
Social media		Comments, likes, mentions, shares, status, check-ins, event, favourites, following & followers, group, profile info etc.	As available
Public data		Population, average income, race / ethnicity, season tempratures, precipitation, humidity, holiday calender, festival	As available

Source: Capgemini

The result is a robust and dependable model to guide your day-to-day business decisions, as well as your future strategy. You'll be able to perform analyses like:

- Assessing the likelihood of a purchase and the lift on margins for a specific shopper group
- Analyzing basket by shopper group to find out what constitutes a typical customer's order
- Recommending campaigns and promotional price points that will optimize sales and margins for the target segment.

How it works

Capgemini's Integrated Category Analytics & Insights helps category managers grow their categories by identifying significant trends in weather and social media together with relevant forthcoming events and so on, understanding their impact on consumer behavior, and then adjusting retail offerings in response.

For example, given the weather forecast shown below – plus social voices and local events information – the system can flag up a likely increase in outdoor activities such as camping and fishing, and trigger appropriate promotions and merchandising.

Figure 4: Causal factors yielding forecast note - weather, local community event calendar and social mood together form a holistic picture of external factors affecting future demand
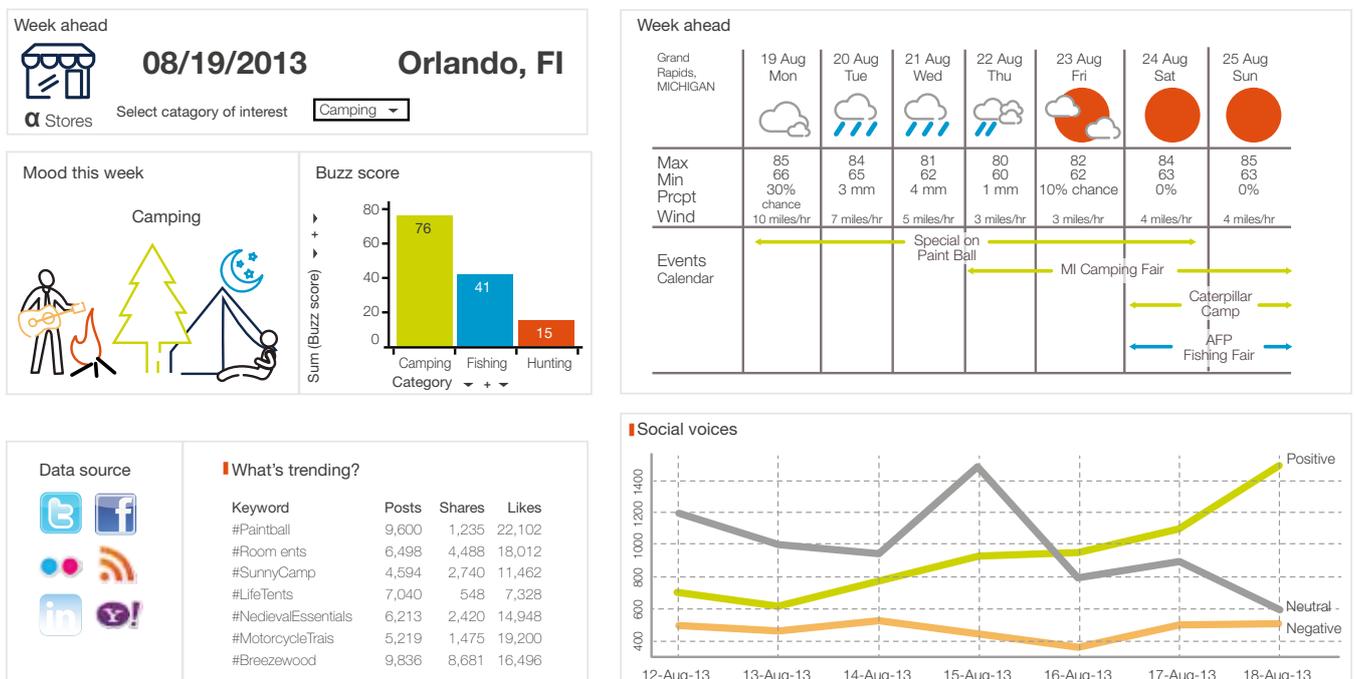
Source: Capgemini

No barriers to adoption

Capgemini offers Integrated Category Analytics & Insights as a Service. We provide the infrastructure, "tame" the big data, and generate the practical insights you need.

This is a much more feasible option for many mid-size retailers than investing in new data center and equipping it with data management and analytics solutions. It also enables you to bypass many of the complexities associated with big data, such as the need to capture, store, organize, and analyze new types of data from new sources.

You get a customized solution, based on the customers' unique requirements, that includes:

- Multiple levels of category management maturity (i.e. choice of the suitable level of sophistication with the possibility of increasing it later)
- Big Data architecture
- Availability for multiple devices (PC, smartphones, tablets etc)
- Application design for specific end users of differing roles (such as merchandiser, category manager, sales VP of a retailer).

The power of big data, combined with our mature predictive analytical capabilities, puts the insights you need at your fingertips.

About Capgemini

With more than 130,000 people in 44 countries, Capgemini is one of the world's foremost providers of consulting, technology and outsourcing services. The Group reported 2012 global revenues of EUR 10.3 billion.

Together with its clients, Capgemini creates and delivers business and technology solutions that fit their needs and drive the results they want. A deeply multicultural organization, Capgemini has developed its own way of working, the Collaborative Business Experience™, and draws on Rightshore®, its worldwide delivery model.

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People matter, results count.