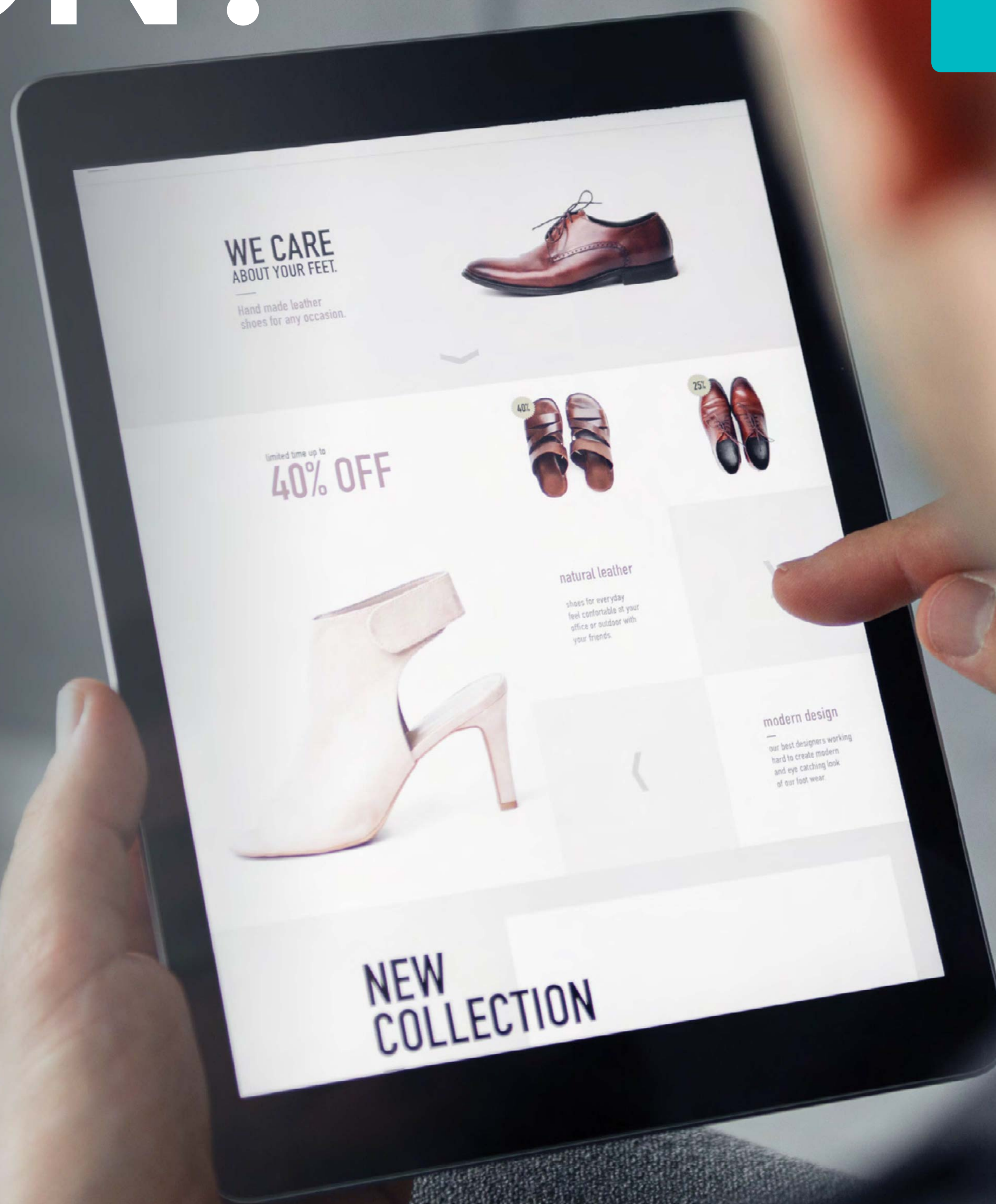# BRILLIANT DECISION?

Automate decision making to improve customer experience and drive profitability in a rapidly changing world

§sas.

MAKING THE RIGHT CALL

Retail is the nation's largest private-sector employer, contributing $3.9 trillion to annual GDP and supporting one in four US jobs (Source NRF).
At the same time, it's a sector that continues to face significant challenges.

With the advent of the COVID-19 crisis in early 2020, all nonessential retailers were forced to close their doors for an indefinite period, shutting down a primary route to market. According to Forbes, more than 14,000 US stores closed in 2020.

The state of shopping centers doesn't fully reflect the health of the industry, since an ever-increasing proportion of retail trade is now conducted online. However, while digital channels provide a lifeline for both retailers and customers during a crisis, in the longer term they also increase competition, drive commoditization, and put additional pressures on revenues and profitability.

In the battle for consumers' hearts and minds, retailers have typically focused their digital transformation initiatives on customer experience and engagement. However, in these challenging times, it's not enough to just get the customer's attention — you need to convert impressions and site or store visits into sales and fulfilled orders.

This e-book will suggest that retail's future sustainability depends on more than just reimagining the customer experience in store and online. Rather, it requires more profound and comprehensive changes to the retail business model to back up those experiences with commercial intelligence that drives conversions, not just engagement.

To achieve this, retailers need to be able to join up and scale up their analytics capabilities, combining consumer data with supply chain insight to generate the best decisions for each customer journey automatically and in real time.

By adopting a modular approach, retailers can build these capabilities gradually, experiment without risk, and expand from small pilots to enterprise-scale deployments quickly when an idea takes off — helping them evolve to new customer requirements in an ever-changing world.

Read more
What do customers want?

WHAT DO CUSTOMERS WANT?

Today's customers expect retailers to provide a consistent and seamless end-to-end journey, regardless of channel. They value the flexibility of being able to browse and buy items either in-store or online, pick up purchases from their nearest store or have them delivered, and return unwanted products either in person or by mail, depending on the immediate circumstances.

In fact, this flexibility is more than just a nice-to-have: The COVID-19 crisis highlighted the fact that offering diverse customer journeys can be essential to support different segments of the population. For example, prioritized delivery services can ensure that elderly and vulnerable people don't need to expose themselves to risk; designated shopping hours can help key workers focus on supporting essential public services; and scaled-up click-and-collect services can relieve pressure on delivery networks while limiting the spread of infection by reducing the number of people who need to browse in-store.

In the longer term, while in-person shopping may lose its appeal for some consumers, others will want to get back to normal now that stores have reopened. Shopping is a leisure activity for many, and studies have shown that younger demographics increasingly view visiting a store as a type of entertainment, regardless of whether they ultimately make their purchases in store or online.

For these shoppers, offering a novel, memorable and exciting in-store experience could be critical for brand-building and long-term loyalty — but it's important to assess return on investment in innovative store formats, services and technologies.

Unless they're backed by a solid commercial strategy to drive conversions and boost revenue and profitability, they may prove to be short-lived gimmicks.

Above all, customers have become increasingly impatient and will not tolerate delays or poor customer service. In the Amazon Prime era, they expect instant gratification: Next-day delivery is no longer seen as a logistical miracle, but as a basic expectation.
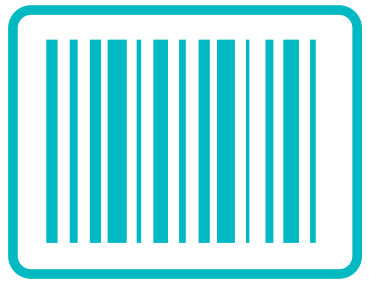

40%
OF CONSUMERS SAY 3 OR FEWER BRANDS PROVIDE A HIGH LEVEL OF CUSTOMER SATISFACTION.[1]
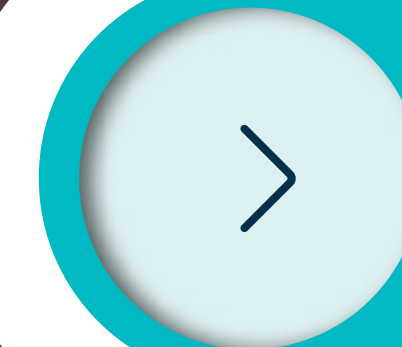
Read more
What do retailers need?

1. Experience 2030 global survey

WHAT DO RETAILERS NEED?

Retailers must strive to meet customer expectations for seamless multichannel customer journeys that combine engaging online and in-store experiences with rapid, reliable fulfillment.

While they're delivering excellent customer service, retailers also need to focus on commercial imperatives. To maximize wallet share, they need to fine-tune customer journeys and make the most of all upselling and cross-selling opportunities.

However, these are only the customer-facing aspects of the challenge. From an operational perspective, retailers also need to deal with market pressures and keep tight control of costs in order to maintain profitability.

For example, online channels are becoming increasingly competitive and commoditized. Price comparison sites funnel customers to whichever retailer is offering the lowest price, which means margins are increasingly tight.

Meanwhile, profits from physical stores are eroded by the high costs of real estate, maintenance and staffing, plus the logistical complexity of ensuring that each store has the right product mix and inventory levels.

> **Read more**
> More on what retailers need

As a result, retailers need to find ways to make their entire business model more profitable through a combination of operational efficiency, supply chain optimization and customer engagement.

Merchandising, inventory management and logistics are just as important as marketing and customer experience in guiding consumers on their journey from engagement to conversion.

As a result, success depends not only on knowing your customer, but on knowing your supply chain too. Making a personalized offer to the customer is no good if that item is out of stock, out of their price range, isn't available in the right size or color, or can't be delivered in time. Customers make purchasing decisions in seconds – and abandon them in seconds, too, if they find any obstacles in their path.

On the other hand, having excess stock is equally problematic. The costs of procuring, storing and disposing of unsold inventory are a major liability on the balance sheet.

The key is to get ahead of the game: Only make the offer if you know you can fulfill it, and only buy what you'll be able to sell. To do that, you need to monitor your supply chain and inventory in real time so you can respond within seconds to make the right offer to the right customer at the right moment. Your planning and forecasting also need to be accurate to ensure that you have the right items in the right place at the right time.
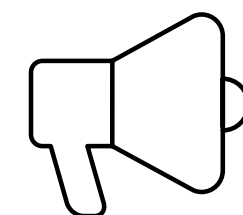
> **Read more**
> Decisioning challenges in retail

# Decisioning challenges in retail

Merchandising

- What products are likely to sell best with each customer segment?
- What is the optimal product mix for each of our stores?
- How can we accurately forecast demand at the SKU level?

Marketing

- Which products should we focus on in our campaigns for each customer segment?
- How can we design, resource and execute our marketing plans efficiently?
- How can we analyze and optimize our marketing spend?
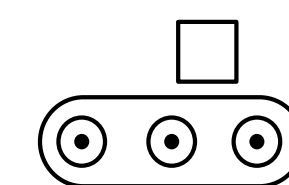
Supply Chain

- What are the current inventory levels in each store and warehouse?
- What are the lead times for sourcing each product from our suppliers?
- How can we handle the complexities of different styles/sizes/colors, or perishable products?
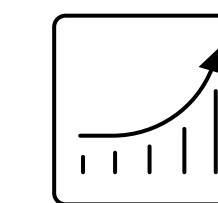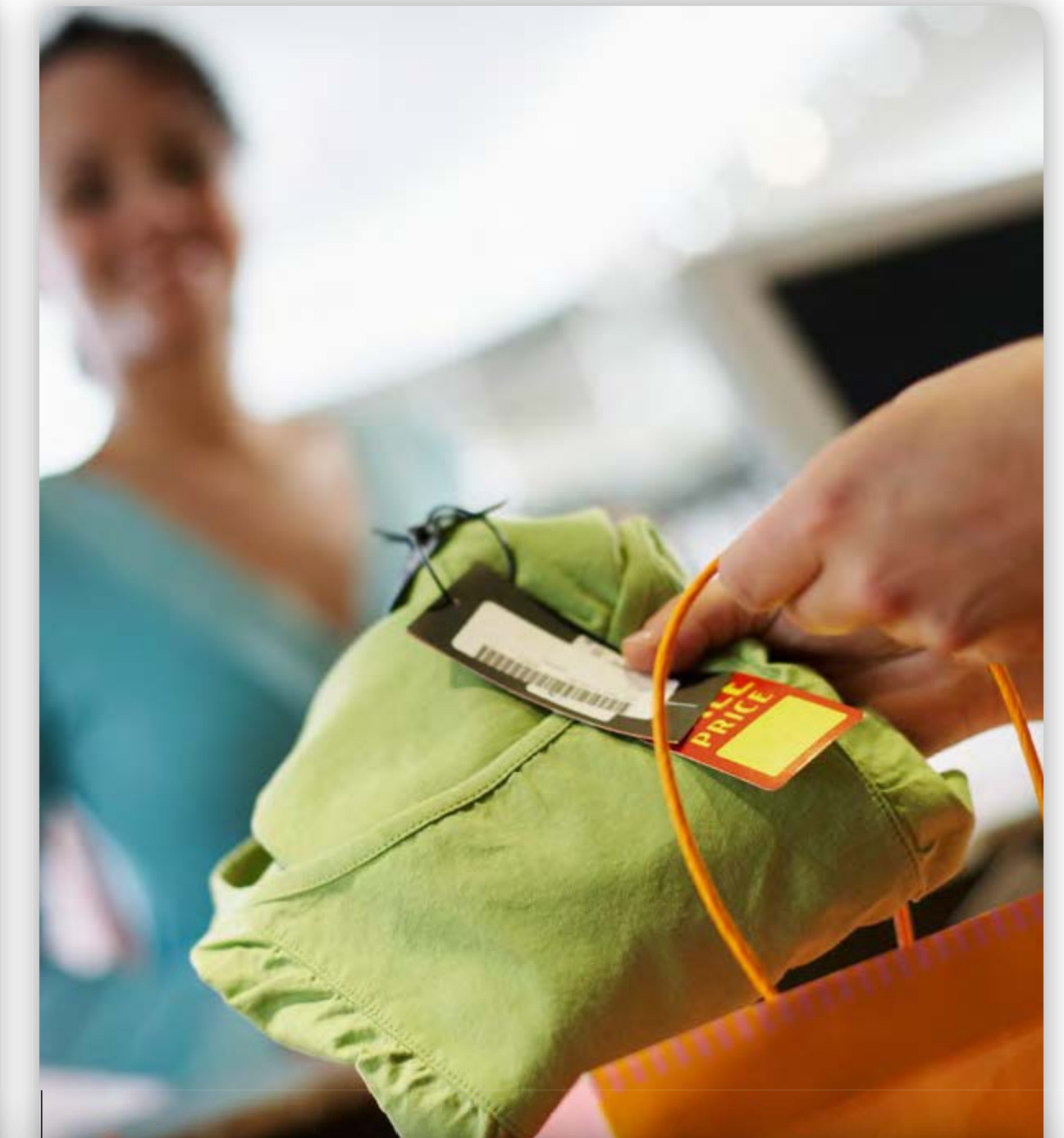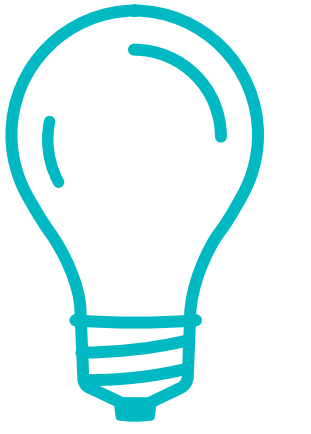
Sales

- What offers should we make to each individual customer?
- When should we start marking down our products, and by how much?
- What should we optimize for: revenue, profitability or clearing inventory?

> **Read more**
> What is intelligent decisioning?

WHAT IS INTELLIGENT DECISIONING?

Intelligent decisioning is the strategy of embedding analytics into business processes to automate decision making where possible and provide insight for decision support in cases where human intervention is required.

"Intelligent decisioning is a critical component in retailers optimizing their merchandising and brand strategies."

Dan Mitchell, *Global Director of Retail and CPG,* **SAS**

In a retail context, intelligent decisioning can help companies gain a 360-degree view of their operations, providing real-time insight into both customer-facing and back-office processes. Through the use of advanced analytics combined with sophisticated forecasts, an intelligent decisioning approach enables end-to-end operational optimization. This can help to maximize revenues and lift profitability while reducing waste and avoiding unsold inventory.

By adopting an intelligent decisioning strategy, retailers can automate AI-driven decision making by combining data from millions of customer interactions with event logs from across their supply chain and logistics network. This enables a real-time view of stock levels that makes it possible to make the optimal offer to each customer, with full confidence that the offer can be fulfilled within the timeframe the customer expects.

Crucially, intelligent decisioning is designed for merchandisers, marketers and demand planners – it speaks the language of the business, not the jargon of IT experts and data scientists. While it uses advanced analytics techniques such as machine learning under the hood, intelligent decisioning removes these complexities, providing an instant improvement on traditional approaches to retail segmentation, forecasting and recommendations while keeping these processes under the control and ownership of business users.

> **Read more**
> What can intelligent decisioning do for you?

WHAT CAN INTELLIGENT DECISIONING DO FOR YOU?

Intelligent decisioning can help retailers address the major challenges that stand in the way of long-term growth and financial sustainability.

Improve customer engagement and experience by analyzing customer data at each touch point throughout the customer journey and providing personalized offers.

Improve supply chain management by surfacing information about current inventory at stores and warehouses and the capacity of the logistics network.

Improve commercial decision making by capturing streams of customer and supply chain data that can feed into more accurate demand forecasting.
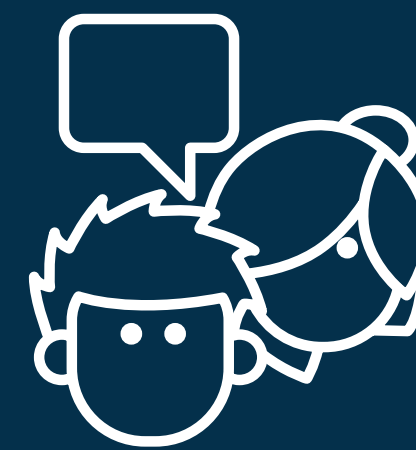
As a result, intelligent decisioning can combine with other types of analytics such as forecasting to help different roles within the organization make smarter decisions in their day-to-day work.

Merchandising teams can find out which products are likely to sell best with each customer segment at each store, breaking the data down to the level of individual product attributes such as color, style and size to enable them to forecast sales even for new products that they've never sold before.

Marketing teams can then take those demand forecasts and integrate them into detailed marketing plans, automatically generating campaign assets and offers that feature the products that each customer is most likely to buy.

Meanwhile, the same forecasts feed into supply chain analytics, helping planners decide what to source from each supplier, and how to manage logistics to maintain the right stock levels throughout the store network.

Finally, intelligent decisioning helps sales teams make the right calls on how best to fine-tune pricing to meet the company's objectives — setting the right balance between clearing unsold inventory, maximizing revenue and maintaining profitability.

For example, understanding when to start marking down this season's collection and how much the markdown should be can make a significant difference to overall financial performance, as well as avoid waste.

SAS has worked with clients across the retail spectrum to embed intelligent decisioning into their processes and streamline the most complex decision-making processes that are unique to each business.

Whether that means optimizing logistics for perishable goods in the fast moving consumer goods sector, managing thousands of style, size and color combinations for a fashion vendor, or maximizing performance across a huge range and variety of SKUs for a multicategory retailer, intelligent decisioning helps build the robust, efficient processes that enable truly engaging and satisfying customer experiences.

Whatever the future holds, having intelligent decisioning in place puts retailers in a strong position — making the whole business smarter and every interaction count.

By 2030

retail brands anticipate that 65% of the decisions they make during real-time consumer engagement across all channels will be made by smart machines.

Source: Experience 2030 global survey

> Learn how SAS can help transform your retail organization at: sas.com/retail