CDN
EXECUTIVE
ROUNDTABLE

RETAIL
WITHOUT
BOUNDARIES

A ROUNDTABLE SUMMARY

TUESDAY, MARCH 5, 2013 The Westin Prince Hotel

HOST:
PAOLO DEL NIBLETTO
EDITOR
COMPUTER DEALER NEWS

GUEST EXPERT:
STEVE KADOLPH
RETAIL SUPPLY CHAIN PRINCIPAL
SAP CANADA

OVERVIEW

When margins are slim and shopping behaviour is unpredictable, it is critical for retailers to develop a precise understanding of their business.

Retailing generates massive amounts of data — from financial transactions, social media, call centres, CRM programs and mobile devices – that retailers need to use for both tactical and strategic decision making.

If they can leverage that data consistently across systems, retailers can drive deep, actionable insights that can enable confident decisions, help unlock new opportunities, or allow more focused targeting of their customers.

This peer–to–peer roundtable focused on a highly interactive discussion as to how analyzing big data can help retailers:

- Unlock new growth opportunities by drawing deep insights from their big data.
- Enable real-time retailing by accessing real-time information to decide and act in the retail moment.
- Respond faster and smarter to dynamic customer demands by leveraging fast analysis and simulations to accelerate the most differentiating processes.

Whatever the business question, intuitive data search and exploration, plus some state–of–the–art analytics, help retailers arrive at relevant insights that can drive the most profitable decisions. With greater insight, retailers can better address customer demand, outperform the competition, and improve margins.

SPECIAL GUEST EXPERT
STEVE KADOLPH
RETAIL SUPPLY CHAIN PRINCIPAL, SAP CANADA

As the SAP Retail Supply Chain practice lead, Steve Kadolph is responsible for providing strategic industry and solution expertise in support to all sales and after sales activities, driving business development and successfully managing customers, prospects, partners and analysts for all SAP Retail Solutions.

Steve joined the SAP North American Retail team at the turn of the new millennium and has been privileged to work with virtually all of SAP's North American retail customers. Steve's mission is to transform customers' visions into 21st century optimized end-to-end business processes by supporting collaboration, planning, execution, and the coordination of all procurement and supply chain activities, increasing visibility with a real time seamless flow of actionable data across all areas inside and outside of a retailer's enterprise, leveraging the entire suite of SAP Solutions.

ABOUT SAP CANADA
SAP helps retailers transform their business with unified and simplified processes to create a personalized experience across channels, business models and customers. SAP retail management solutions can help retailers improve efficiency and gain a single view of the customer by providing:

- Better conversion rates across channels
- Higher customer and basket spend
- Greater customer satisfaction
- Better stock coverage and improved service levels
- Lower store costs
- Increased EBIT / operating income

As market leader in enterprise application software, SAP helps companies of all sizes and industries run better, from back office to boardroom, warehouse to storefront, desktop to mobile device.

SETTING THE STAGE
The executive roundtable coincided with some big Canadian news in both retail and technology trends.

TARGET TAKES AIM:
The same day as the CDN event, U.S. retail giant Target surprised the industry by opening the doors to new stores in three Ontario cities (Milton, Fergus and Guelph) a month earlier than expected. The three stores are the first of 124 locations Target plans to open in Canada by the end of this year.[1] (U.S. retailers Chico's and Nordstrom also plan to open stores in Canada.) In other sector news from recent months, U.S. retail chains Best Buy and Sears have announced 900 and 700 layoffs here in Canada, respectively.[2]

THE MOBILE, SOCIAL SHOPPER:

The day before the CDN roundtable, comScore Inc. released updated data shedding new light on the types of technology Canadians use and, specifically, how they use it to interact with retailers.[3] Canada's mobile communications market grew to just over 22 million customers in 2012, an increase of 10 per cent (or slightly more than two million customers) since 2011. Smartphones now make up 62 per cent of Canada's mobile phone market, a jump of 17 percentage points. Social networking activities on smartphones saw huge growth in 2012, with 56 per cent more Canadian users accessing social media or blog sites with their smartphones compared to 2011.

In online shopping, Canadian sales grew 10 per cent to hit $22 million overall and the number of transactions topped 105,000, a jump of 17 per cent. Visits to retail Web sites increased by nine per cent, with Amazon, Apple, Kijiji, Best Buy and Walmart the most popular e-commerce destinations among Canadian shoppers.

About 33 per cent of Canadian smartphone users engaged in mobile banking with their device, up from 29 per cent the prior year.

'SHOWROOMING':

Two days after the CDN roundtable, a report by Catalyst and GroupM Next examined 'showrooming,' the trend in which shoppers use their mobile devices to compare prices from inside a retailer's bricks-and-mortar location with its online prices for the same item (which are often cheaper).[4] The study found that 26 per cent of Canadian shoppers who use mobile devices to 'showroom' would leave a store location to complete their purchase online for a discount as small as 2.5 per cent. The study suggests U.S. shoppers are more easily swayed by online discounts than Canadians: the majority of Americans will leave a store to buy online for a $5 discount but in Canada that majority threshold is only reached when the discount is $15.

ON POINT

The following are key highlights from the roundtable discussion.

Q: **Which retail analytics solutions in the market today are really working?**

> **"The big push now is in predictive analytics."**
> – Steve Kadolph, retail supply chain principal, SAP Canada

This opening question sparked an enthusiastic discussion about predictive analytics as a tool to help retailers and their partners go beyond understanding shoppers to actually anticipate their future

behaviour and thus predict upcoming retail trends. "We've really shifted from understanding analytics to anticipating analytics," said Imran Syed, sales and marketing manager at BAASS Business Solutions Inc.

Casey Shea, business development manager at Keyora Inc., cited the example of U.S. apparel retailer Worth, which maintains a 'virtual closet' for every customer tracking all their previous purchases. When Worth releases new fashions, the system automatically searches each customer's past history to suggest items from the new line that will fit in with the client's existing outfits in terms of colour, style, etc.

Today's retail data isn't just predictive, however; it's social, mobile and timely. Shea talked about how the younger demographic of shoppers in particular is driving this fast-paced data trend. Smartphones and tablets are allowing retailers to directly interact with younger consumers instantly. Macy's has invested heavily in iPads for its stores so shoppers can 'try on' makeup or clothing virtually; and with their smartphones, Starbucks customers can preorder their coffee, receive coupon offers tailored to their past purchases, and pay for their brew with a simple tap.

Many participants talked about the power of social media, especially among millennials, who tweet a product query while in a store and expect to get a Twitter response from the retailer immediately. (Syed said Nordstrom has done this effectively, including its instant response to a woman's tweet requesting a certain shoe.) Attendees said social media has put a greater emphasis on the 'cool' factor of brands, made the pace of retail faster than ever, and given shoppers a tool to instantly express both good and bad retailing experiences — as they're happening – to a massive audience. The rise of the social shopper has made social media analytics solutions more attractive to retailers, said David Toms, vice-president and general manager, central and western region at Metafore Technologies Inc.

Analytics, mobile devices and social media have shifted retailers' focus from maintaining inventory to maintaining a great customer experience. "Ten years ago it was about how to improve warehouse efficiency. Now it's about how can the warehouse improve the customer experience," Kadolph said. Amazon is the leader in this trend, Kadolph said, adding that the U.S. retailer wants to have enough warehousing space to allow same day delivery within 50 per cent of the U.S. market in the next year. Home Depot's acquisition of analytics startup BlackLocus in December "shows the value that retailers are putting on timely data," said Trevor Marshall, vice-president of sales at Navantis. "They're developing a (data) innovation arm."

Along with instant access to an incredible amount of shoppers' personal and financial data, however, comes the responsibility of retailers to respect consumer privacy and keep that data secure, warned Michael Brameld, senior account executive at The Herjavec Group. Failure to do so, as in the case of the 2011 Best Buy data breach, can result in "a social media storm" of negative sentiment about a brand, he cautioned.

Q: How can retail analytics create new revenue sources?

"Now you have a chance to influence the customer before they even interact with your brand directly."
– Casey Shea, business development manager, Keyora Inc.

The traditional model saw the consumer go to the store or Web site to buy products, Toms said, but now retailers have the technology to proactively find out what each consumer buys, where they're located and their buying habits to create an entire behavioural and demographic profile of them. All that data can be used to promote specific products to each of those customers on social media sites and search engines through analytics-based marketing, Shea said.

Toms noted that data generated by smartphones (through their GPS and RFID features, for example) have created many new revenue opportunities by generating instant e-coupons as shoppers enter a store, scan an item or walk near a certain product display inside. Brameld said these applications are useful for increasing customer loyalty through rewards programs which track shoppers' past purchases and email them targeted coupons accordingly. Kadolph added that similar "real time offer management" applications have boosted sales by 20 to 25 per cent for some European retailers.

These technologies have made the in-store shopping experience just as important as the actual products, roundtable participants suggested. Apple has incorporated mobile and big data analytics technologies into its stores (from e-coupons to self-checkout on mobile devices), they noted, but it has also designed them with a coffee shop feel in mind so the 'cool factor' of Apple's social and mobile branding extends to the atmosphere inside the store. A retailer's in-store branding has to match its online, social and mobile branding, roundtable guests concluded.

Toms pointed out that big data puts bigger demands on traditional retailing technology such as POS and help desk systems, causing retailers to worry about how to maintain their existing legacy systems while also investing in new technologies. Marshall suggested retailers develop "a very robust social strategy," embrace native mobile apps and form strategic partnerships with social media players like Foursquare, for example; Louis Le, marketing director at Gibraltar Systems, suggested retailers could work with their entire supply chain to share some analytics data (and therefore share some of the data-related risk, responsibility and cost) where appropriate; Syed said such collaborations on data could culminate in collaborative marketing: "We'll be checking into an Audi dealership and an ad will pop up from TD Bank asking if you want a car loan. It'll become a collaborative retail experience."

Q: Can we use new data technology to improve customer service and staff ability?

"The customer is first and foremost."
– David Toms, vice–president and general manager, central and western region, Metafore Technologies Inc.

Ritz Carlton Hotels and Disney Corp. are good examples of companies that have integrated big data into operations to improve staff training and customer service, Marshall said. But there's also a danger of overusing analytics data to bombard consumers with unsolicited offers and marketing messages they'll start to tune out, said Randy Bergeron, president of Unity Telecom: "What's useful may become background noise."

It's important to create outbound messages that are unique and to manage after–sale customer support effectively. This means ensuring customer support staff can respond well to shopper queries via phone, email, CRM, social media and in person, Bergeron said. Respond to customers appropriately and proactively, not just reactively, others suggested.

Toms pointed out there are many smaller vendor applications that complement the larger vendor solutions. Kadolph said retailers should consider "what type of applications are complementary to (their) business and how they want to roll them out" before investing too heavily or quickly in new retail technology. Le said retailers should "take a step back first" by finding a trusted adviser like SAP to assess their needs, standardize their existing systems and pare back bricks-and-mortar operations if necessary, before diving in to fully implement the new big data solutions.

Q: As solution providers, how do you see the latest influx of big U.S. retailers to Canada playing out in the technology channel?

"There's a huge opportunity (for the IT channel) to help Canadian retailers."
– Steve Kadolph, retail supply chain principal, SAP Canada

The coming rollout of Canadian stores by U.S.–based Target and Nordstrom creates new opportunities for solution providers in Canada because it "raises the bar for everyone (and) will force other Canadian retailers to revisit their IT strategies," Le said. Toms agreed, commenting that the opening of new Nordstrom and Target stores here are "a wakeup call" for Canadian retailers "about their investment in retail technology and what it means for them from a competitive perspective."

Although foreign retailers get their strategic IT direction from head offices outside Canada, they may not

always realize that a Canadian-based IT strategy could serve them better due to the diverse geographic, cultural and linguistic nuances within Canadian regions, Toms added.

TAKEAWAYS

- predictive analytics is the next wave
- business intelligence helps retailers understand trends, but predictive analytics helps retailers anticipate them
- retailers can integrate big data with mobile devices, social media, GPS, RFID and other technology to create a relationship with shoppers that is timely, interactive, proactive and personalized
- thanks to smartphones, tablets and social media, the shopping experience goes beyond store walls, happens 24/7 and is just as important as product inventory, especially for millennials
- the rise of the 'social shopper' has made social media analytics tools attractive to retailers so they can engage consumers, create personalized marketing for them, and measure consumer sentiment towards brands over social networks
- potential risks associated with collecting and utilizing so much data involve privacy, security and overuse
- some Canadian retailers worry about maintaining legacy POS or help desk systems while investing in new technologies
- this can be eased partially through retail solutions from smaller IT vendors, IT auditing/consulting services from larger vendors like SAP, native mobile app development, collaboration with social media firms, data sharing with supply chain partners, and collaborative marketing with non-retail partners (i.e., banks, insurance companies) based on shared big data
- the latest influx of U.S. retail chains to Canada could spark new investment in big data and other retail technologies here in Canada by both the American chains themselves and also by Canadian retailers as a competitive move

FOOTNOTES:

1. 'With tips from the toy aisle, Target ready to launch,' Globe and Mail, March 4, 2013, http://www.theglobeandmail.com/globe-investor/with-tips-from-the-toy-aisle-target-ready-to-launch/article9256634/

2. 'Boomers, busters and the future of retailing,' Vancouver Sun, Feb. 6, 2013, http://www.vancouversun.com/business/2035/Boomers+busters+future+retailing/7928936/story.html

3. 'Canadians no longer the biggest web addict (sic), report shows,' CBC.ca, March 4, 2013, http://www.cbc.ca/news/technology/story/2013/03/04/canadian-internet-stats.html

4. 'One-Third of Canadian Shoppers Will Leave a Store and Complete a Purchase Online for a 5% Savings, New Study Reveals,' Financial Post, March 7, 2013, http://www.financialpost.com/markets/news/Third+Canadian+Shoppers+Will+Leave+Store+Complete+Purchase+Online/8063404/story.html