



White Space in Retail

Key issues within the industry and how insight can help
address them

A White Space white paper

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Introduction

The retail sector is much more diverse than may meet the eye. From small corner grocery shops through to multinational electronics powerhouses and everything in between, differences in size, location, products and customers create many different types of retailer, each with different priorities, strategies and operating models.

Over recent years, there has been much talk of decreased consumer confidence and spending, as the debt bubble built up over the last decade threatens to burst over the UK economy. This has created much negativity in some corners of the retail sector. However, a number of developments and trends have created opportunities for retailers to fight against this threat. This white paper analyses three of them and how marketplace analysis can help companies capitalise upon them.

1. Channel management and effectiveness

The last ten years have seen a proliferation in the number of channels used by retailers. It is now not uncommon for organisations to operate five or six different channels, meaning that channel management has become a function in its own right for many larger retailers. The development of e-commerce, in particular, has added a completely new dimension to the sector. In addition, offshoring has also allowed many retailers to develop telephone sales centres which previously may have previously been ruled out on grounds of cost.

This has created an opportunity to offer greater customer choice around sales engagement as well as to reduce expenditure by developing low cost channels such as the Internet or telesales.

However, a common mistake has been to try to force customers down a particular route, often without understanding customer preferences and behaviour or providing any education when new channels are introduced. Aside from understanding customer attitudes, factors such as your own cost base, investment required, potential sales uplift, and competitor activity are also worthy of consideration when managing and structuring a range of channels. More advanced companies are beginning to develop ROI-based metrics which measure channel performance and underpin investment decisions. By taking an informed approach, the correct decisions can be made, increasing customer responsiveness and lowering cost to serve.

2. CRM

Unlike in many other sectors, retailers are in the privileged, and often-envied, position of holding direct relationships with the end customer.

Until recently, advanced CRM systems were the preserve of major supermarkets and retail banks, who could afford the high infrastructure and management costs and had large enough customer bases to make them worthwhile. However, technology costs have reduced considerably, and systems have become more user-friendly. This has made CRM an option for all retailers, providing an opportunity to manage and develop customer relationships to mutual benefit.

The wisdom of companies who are experienced in CRM suggests that three major barriers lie in the path of an effective system, once the appropriate infrastructure has been purchased and installed:

- 1) Collecting customer data
- 2) Data analytics
- 3) Campaign deployment

Arguably the most significant of these for retailers is the third, especially for companies who have long supply chains which minimise their ability to act responsively and create up-to-date tailored customer offerings. Big decisions need to be made, including what messages and customer offers are appropriate, which channels should be used to deliver them, and the frequency of customer contact desirable to maximise effect. The fact that customers are now being targeted by the CRM systems of many other companies creates unwanted noise which could drown out your campaigns, but it also presents an opportunity to learn from organisations who have similar priorities and end customers to your own. Some of the more progressive companies actively share insight regarding approaches, and even share data and co-operate on campaigns.

3. Forecasting

Understanding customer preferences, potentially through CRM, lies at the heart of forecasting, a regular headache for marketing and operations directors alike across the retail sector.

The ability to predict customer demand, both in terms of volumes and product preferences, can make the difference between a successful operation, riding a wave of customer satisfaction and a failure, hindered by poor stock management and storage issues.

Several retailers, and especially those heavily dependent on other companies for stock, have entered into partnerships with manufacturers to produce collaborative forecasts, pooling knowledge on the end customer and of the lead times required to get stock onto the shelves: there is little value in knowing that your customers have strong demand for a certain product range if your suppliers are unable to produce sufficient quantities in time to meet this demand. Forecasting is an equally big issue for manufacturers, and the opportunity to do this more effectively may well be as attractive to them as it is to you.

Technology has also created an opportunity for retailers not just to gain and analyse customer and stock data on a near-real time basis, but also, critically, to align this with the supply chain. This has allowed several more advanced retailers, such as Spain's Zara, not just to forecast effectively, but to act speedily on the back of this information ensuring that the right stock is in the right stores at the right time. Understanding the approaches of other organisations, and the technologies that underpin them, as well as understanding how best to leverage off your customer base for assistance with forecasting, can be of great value to retailers who struggle in this area.

Finding the White Space

Channel management, CRM and forecasting are three examples of business processes which offer significant opportunities to retailers looking to fight against the tide of declining consumer confidence and spending. In each case, developments in technology, as well as other factors, have increased the power of tools available and reduced the costs of taking advantage of them.

However, investing in new systems and approaches also creates risk. White Space has experience of assisting retailers to minimise this risk and maximise returns by providing marketplace analysis support. By analysing approaches taken by companies comparable to our clients, we have been able to provide insight into the most appropriate strategies, the costs associated with them as well as the most effective methods of implementation. We have been able to complement this with customer and supplier research, providing a total marketplace perspective on key themes and issues affecting our clients, delivering projects to senior management either in the form of traditional reports and presentations or through more innovative scenario-based workshops.

For more information on how White Space can help you understand your marketplace, please contact:



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