The top five reasons why location analytics is essential for retailers

How combining location-based data with business intelligence helps retailers tackle their greatest challenges
Executive Overview

The retail market today is somewhat paradoxical.

In a competitive climate, it’s more essential than ever that retailers invest in their businesses to stay fresh; but funds have never been so limited. The public and the government are demanding greener practices and greater sustainability; yet supply chains are becoming more complex and unwieldy. More customers want a service that’s tailored to their personal wants and needs – yet all the while retail operations are growing more global.

It can seem impossible to meet such challenging objectives. But that’s precisely why so many retailers around the world are turning to location analytics.

Location analytics: addressing retail’s five greatest challenges

Location analytics uses the power of highly accurate location-based data to unlock previously hidden insight.

It works by recognising that location can act as the common denominator for the vast majority of business information. Where customers live and what they buy; store performance data, from a national level down to specific outlets; distribution and delivery routes – with location as the context, it becomes possible to integrate and generate new meaning from all this information and more, to offer retailers new, detailed intelligence.

Armed with this intelligence, and with the support of the right analytics tools, it’s possible for retailers to address their five greatest challenges:

1. **Improve return on investment**, by learning exactly which areas of the business need investment and strategically testing investment plans, to lower risk
2. **Increase sales**, by understanding precisely which customers want which products and services, and targeting marketing to specific customers more effectively
3. **Control costs**, by gaining rapid insight into cost centres, and tackling potential issues before they result in costly problems
4. **Boost customer satisfaction**, using insight into current business performance to identify and resolve issues and deliver more proactive service to customers
5. **Enhance customer loyalty** by building more accurate, comprehensive customer profiles using data gathered from multiple channels

About this document

Read this document, and you can learn more about how location analytics can help you to tackle these five business challenges. Plus you’ll see how location analytics software is a strategic investment, which can offer value to your business for many years to come.

What is location analytics?

By using location-based data as the context for analysing business information, you get location analytics: a new level of business insight, gained by joining the information together. Through location analytics, you can have a more detailed understanding of your business operations – costs, profits, people, stores, customer satisfaction and more. This enables you to ask new questions, get new business insight, spot previously hidden patterns and almost certainly run a more efficient, cost-effective business than you could before.
Retailers must constantly invest in their products, services and people in order to stay fresh, competitive and successful. In times of economic difficulty, this investment becomes even more important. While corporate budgets may be low on funds, so too are consumers, making them more likely to reserve their hard-earned income for those retailers that continually offer optimal value for money, quality and service.

But with a growing number of well-known retail chains suffering a very public decline, getting reassurance of a return on investment (RoI) has never been more critical.

Here, location analytics can be very powerful indeed.

**Knowing where to invest**

The first step in achieving RoI is to understand exactly which parts of your business most need investment. That means understanding where your business has the greatest potential, or where it may be under-performing.

Location analytics can offer accurate insight into business performance and potential – fast. By coupling the right data (anything from store sales figures to customer service feedback) with highly accurate location information, you can see precisely where would best benefit from your scarce funds. What’s more, through techniques such as heat mapping, you can hone in on investment ‘hotspots’ at a glance, saving hours of time that would otherwise be spent going through spreadsheets and tables.

**Knowing how to invest**

You then need to decide exactly how to invest, forecasting the results of your activities in order to further lower your risk. Here, the latest location-based analytics systems can transform capex modelling, making the process far more accurate and reliable than it is using current methods.

That’s because a single system will span an entire organisation, and multiple geographical locations – from stores, to the contact centre, to head office. Organisations are already using this to bring together a wealth of data from each department and store it consistently, using standard inputs and processes. This consistency – coupled with the system’s intelligent modelling tools – enables you to test various investment scenarios and predict RoI with a high degree of accuracy.

**Sharing the business case**

What’s more, the data is accessible on virtually any platform – from PCs, to tablets and smartphones. So when it comes to getting board-level buy-in for your investment plans, it’s never been quicker or easier to share your business case. Not only that, it’s just as easy to share the same information with building contractors, local authorities, fire services – anyone involved in realising your objectives. All of which means you can lower your risk, and give yourself the best chances of achieving that much-needed return on your investment.
We’ve all known for some time that retail has been hit hard by reduced and changing patterns in consumer spending.

Clearly, just maintaining sales in this market is challenging. To go for growth is therefore tougher still; retailers must invest time and money into new sales strategies and marketing campaigns, at a time when resources are tight and reluctance is high.

But many retailers are proving that growth is possible – as long as the investment to achieve it is made in a targeted way.

**Targeted product development, targeted marketing**

Through location analytics, retailers are successfully boosting sales.

By taking customer data gathered from loyalty cards, EPOS, the web and more – and using highly granular, accurate location information as the context for it all – you can understand precisely which customers want which kinds of products or services in exactly which locations. Armed with this fact-based insight, you can then make confident decisions about precisely where you should get the best returns from new or updated product lines, store refurbishments - even where there is enough demand to open brand new stores.

The same detailed location-based data can then be used to target related marketing activity to specific individuals, via the most appropriate channels and locations – from regional television adverts, to tailored flyers that go through the letterboxes of identified prospective customers. Plus, because you start the campaign with such accurate data, you are then better equipped to measure its success – measurements which can themselves be put back into the business for later insight and analysis.
Reason 3.
Control costs

There is nothing new about the need to reduce costs in retail. In times of economic difficulty, retailers need as many ways as possible to protect their profits. Squeezing the supply chain, for instance, may be the most obvious option – but with suppliers protecting their profits too, this may not yield the savings you’re hoping for.

Tough times call for more innovative measures, and that means conducting a far more thorough cost analysis across the business. Yet given that today’s retail organisations span multiple sites and geographies, a great deal of cost-related data is often buried in spreadsheets and hidden in IT systems across different offices.

The answer is to use a centralised location-based analytics system.

More detailed cost analysis

By layering business intelligence onto location-based data, it becomes possible to visualise business performance at a glance – including exactly how much the business is spending. That’s not just on obvious activities such as marketing, wages or rent. You can drill down into manufacturing information, logistics data, supply chain data, customer service records, store losses/breakages and more, to identify ‘hotspots’ of underperformance or inefficiency which could be costing you money.

The map also makes it quick to identify correlations and patterns between the data nationally, regionally, locally and all the way down to specific stores, in order to identify previously hidden sources or triggers of cost.

Flag issues before they become costly

Once you have carried out your cost analysis, you can set cost benchmarks which can be input back into the system, to help you measure and control your costs more tightly going forward. This uses a capability called exception management, which displays your business costs on a dashboard as green, amber or red depending on the benchmarks you’ve set. All of which makes it even easier to avoid unnecessary spending.
Retailers understand only too well the importance of keeping customers happy. When budgets are stretched, it’s the quality of customer service that typically pushes customers to choose one retailer over another, and which helps that retailer to build customer loyalty and boost retail profits.

But given the consistency in service performance across the retail market – retail is in fact the UK’s strongest performing sector in customer service, according to the UK Customer Satisfaction Index (UKCSI) – every retailer must still find new and innovative ways to stand out from the rest.

Thanks to the insight it delivers, location analytics can help to give your customer service that much-needed edge.

**Getting to the root of issues**

For one thing, it can offer rapid insight into current levels of service and satisfaction. Which individuals have received their deliveries late recently? Which stores have run out of stock of a certain product? Who has received complaints about faulty products, and where are they located? By using location-based data as the context for customer service information, you can very quickly isolate the root cause of a host of customer service issues – from production, to distribution and delivery. You can also identify whether there are any patterns in customer service problems across a geographical area.

**Taking more proactive measures**

Of course, boosting customer service is not purely about rectifying issues. It’s also about being proactive, and implementing improvements that are requested by customers. But naturally, not all requested improvements will be feasible.

For these circumstances, location analytics software enables you to model and test the impact of requested service improvements, so that you can see if they are truly viable. In which location is the demand for a requested service at its highest? How much money will it cost to get an initiative off the ground? How will the supply chain operate? Location analytics software can be used to model a whole range of “what if” scenarios, helping you to truly understand the feasibility of new ideas.
Reason 5. Build customer loyalty

It's far cheaper to keep existing customers than it is to source new ones. That's why customer loyalty is at the top of the agenda for most retail businesses. A survey by eCcomplish highlighted that for pure-play online retailers – for whom the competition is only ever a click away – customer loyalty is today the biggest single focus for their businesses.

When it comes to developing loyalty strategies, the vast majority of retail organisations today recognise the importance of customer segmentation, and use loyalty card data to gain greater insight into customer preferences and habits. However, there is a wealth of other data available that can be used to carry out more targeted loyalty-building activities. The way to unlock it is through location analytics.

More information for enhanced customer profiling

Geographical location is not only the natural common denominator for traditional customer information, such as where customers live, what they buy and where they buy it from. It’s also what links seemingly unrelated data, such as point of sale information, online activity and customer complaint data. Use a system that’s entirely centred around location-based data, therefore, and it becomes possible to integrate all of this information in order to build more comprehensive customer profiles.

This can help you to hone your customer-focused initiatives. You can build your own shopper profiles based on your own data. You can analyse the effectiveness of your current customer service strategy for each group, and model specific improvements. You can model and test the potential impact of your planned loyalty-building activities. Ultimately, you can take advantage of a more strategic, accurate and low-risk way to protect your greatest business asset.

Invest today, protect your business into the long term

Location analytics: the key to Scientific Retailing

It’s important to remember that location analytics is not simply a tool for challenging economic times. It’s a tool that offers untold value whenever detailed business insight is needed. It therefore has great potential for retailers in the long term, as the industry moves into the era of Scientific Retailing.

Scientific Retailing is all about using insight for more efficient, accountable business. Once retail emerges from this long period of recession, the pressure will be on to sustain current efficiency levels – and that makes detailed understanding of business operations vital. By putting location analytics at the heart of your business, you will always be able to see at a glance exactly how many stores to run and in which locations; precisely where you are over- and under-spending; exactly how efficiently each stage of the supply chain is working – quite simply, everything a modern retail business needs in order to be efficient, control costs and go for growth.

Demonstrate your sustainability

Location analytics can also provide valuable support for some of the softer but equally detail-rich initiatives that Scientific Retailing includes, such as the need to demonstrate sustainable practices. For example, location analytics can help to track activities throughout increasingly complex supply chains – which cross multiple businesses and geographies – in order to perform a detailed, thorough assessment of sustainability at each step. Plus, thanks to the clear, versatile map data that underpins it, it’s far easier to show the data and prove your compliance to customers and stakeholders.

---

2 Source: eCcomplish via www.managementtoday.co.uk.
About Esri UK

The power behind Scientific Retailing

Esri UK can help you unlock a brand new level of insight from your existing business data. Our powerful location-based analytics tools – using our industry-leading Geographic Information Systems (GIS) technology – are trusted by some of the most prominent names in retail to help them boost competitive edge, reduce their environmental impact, mitigate their operational risk and lower costs across the board.

Importantly, we recognise that no two solutions will ever be alike. That's why we count on our broad team of experts – the single largest pool of GIS expertise in the UK – to tailor your implementation to your business and its specific needs.

Contacts

To find out more about location analytics, and to start discussing how Esri UK could help you to tackle your greatest challenges, contact:

sales@esriuk.com
01296 745 500

www.esriuk.com/industries/retail