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## **UNIT 18 DATA DRIVEN MANAGEMENT IN RETAIL**

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### **18.0 OBJECTIVES**

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After studying this unit, you will be able to:

- Explain data driven management in retail
- How important is data to the retail industry?
- Application of data in different departments of a retail company?
- Data driven retail inventory management

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### **18.1 INTRODUCTION**

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Data plays a significant role as far as organised retailing is concerned; every aspect of organised retail is data driven. Whereas in unorganized retail, owners are unable to track and use data in their decision-making process and business.

Every player in the organised retail use data to sustain and take competitive advantage over their competitors. A proper data analysis and data application will make retailers successful. In this chapter we will be discussing various usages of data in an organised retail. How one can use data to better manage their inventory etc.

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### **18.2 WHAT IS DATA DRIVEN MANAGEMENT IN RETAIL**

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The term data driven management in retail refers to the process of decision making on the basis of consumer data. The retailers rely heavily on this data

to make business decisions. They drive their business and make predictions on the basis of these data and help them to understand consumer behaviour patterns. Retailers gather the data related to their business from different sources internally and externally. Analyses and studies and extract valuable information from these data to be applied in their business. This gives valuable insight in sale prediction, customer entry, conversion of the store etc.

The merchandising team needs to place orders to buy merchandise well in advance and these data help them to make a right prediction about the quantity to be purchased sale trend and change in the fashion trend. Therefore, in the absence of the data it is not feasible for the merchandiser and buying team to make the right purchase.

In organised retailing target setting is a very important strategy and activity for the company or the store to drive the sale. Hence the target is set by the company for every store or unit again on the basis of these data. While setting the target they consider the previous year sale, current year trend, performance of their competitors and the various other important factors such as festivals, holidays, and any other contingencies etc.

Again, in the absence of this valuable data one can't set the company's sale target accurately or it can be overestimated or underestimated. And in both the cases it is harm-full for the retailer, in case of over-estimate the respective sales team cannot achieve its target and will not earn the incentive which will further demotivate them. The retailer will lose opportunity on sale as the target is under-estimated.

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### 18.3 HOW IMPORTANT IS DATA TO THE RETAIL INDUSTRY

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Data is very-very important for a retail organization. It has many benefits, so let us discuss these benefits one-by-one.

- 1) **Business Expansion:** like any-other business retail organization also needs to expand its business to the different geographical locations after a certain time. These expansions of retail business need detailed study and research for the targeted market. The research and the studies are done on the basis of the data collected and the company reaches to a conclusion whether to expand in the particular market or not.

The accuracy and the relevancy of the data is very much important for the business development team. An inaccurate data will lead to a wrong estimation regarding the expansion and the retailers have to incur a huge financial loss. A retail business expansion requires huge capital investment. Correct data helps them to adopt the right expansion plan.

- 2) **Competition Analysis:** If a retailer really wants to take the lead of its competitors then he/ she cannot ignore the competitor's analysis. Since

the competition is so high therefore to sustain in the competition one needs to keep a watch on every movement of his competitors. This is done by analysing the data of the competitor

- 3) **Buying and Merchandising:** Buying & Merchandising team plans the stock requirement of the company in terms of quantity and quality. The stocks are generally bought-out one season in advance e.g for the coming winter season, stocks are bought at the beginning of the summer season i.e at least six months in advance.

Since the Bnm purchases in bulk, they need to predict the stock requirement. Such predictions are done on the basis of the previous year sale data and upcoming fashion and market trends.

- 4) **Target Determination:** To drive the sale of a company, a retailer must set the target for his team to achieve. The company closely studies the sales history, current sales trend, and other important factors which can impact the sale. So, this is done with the help of the data. The data is analysed to create an achievable target for the team.
- 5) **Measuring Productivity:** A retailer needs to measure the productivity of various factors. Therefore, without correct data measuring productivity is not possible. Productivity is nothing but return on investment on various assets of the company. Retailers invest on various assets such as labour, space, merchandise etc. To measure productivity, data is required having churn this data will give you the real picture if the investment on any particular assets is fruit-full or not.
- 6) **Customer Retention:** Data plays an important role in customer retention. Customer retention increases with increase in customer satisfaction, which in turn increases with improved customer service and filling the service gaps. To fill the service gap, data related to customer services such as mystery shoppers report and customer feedback must be analysed.

On the basis of these analysis a concrete measures are taken to improve the customer service and leads to customer.

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## 18.4 APPLICATION OF DATA IN DIFFERENT DEPARTMENT OF A RETAIL COMPANY

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A retail store or company consists of many different departments such as HR, Marketing, Operation, Visual merchandising, and accounts etc.

Every department needs data to make their strategy and business decisions.

**Human Resources:** needs data to calculate the attrition rate of the store or the company. Attrition rate refers to the no. of employees who quit the company against the total no. employees available in a month. There is a benchmark for the attrition and it should not exceed the same. In-case the

attrition of the store or company is above the benchmark the HR department needs to do a research, find the reasons and take the corrective action to improve the same. Therefore, HR requires data regarding History of attrition, total no. of employees available, budgeted employees and the data collected at the time of exit interview.

**Marketing:** Marketing team keeps on running various promotional offers and schemes for the customer and also at the time of a new product launch. Every single customer is unique in terms of their taste and preferences and a particular offer or promotion may not suit all of them.

Therefore, the marketing campaign needs to be customized suiting the targeted customer. To optimize the marketing campaign, one needs to do the market segmentation. Market segmentation refers to the making of groups, of similar customer means in the particular market segmentation all the customer shares the similar or identical attributes. Market segmentation requires data regarding their, Age, gender, income, taste & preference, locations, interests, and social status etc.

A valid data gives the marketing team a right direction for their marketing campaign and best utilization of the company resources.

**Operation (Sales):** In operation or sales needs to calculate various different matrix such as Sale, quantity sold, cash memo size, conversion, item per ticket, no. of customer entry, and no. of bill generated etc. these matrices can be only calculated when the data is available. The retail company makes important business decisions based on these calculated matrix.

**Visual Merchandising:** The role of a VM is to take care of the look and feel of the store through visual merchandising. They create a beautiful window and the section display to attract the customer. But these displays are meaningless until it is converted into numbers, that is the impact of the visual merchandising should be reflected into sales of the store or section.

To verify the same a VM requires sales data both in amount and quantity. On the basis of these data a conclusion can be easily drawn whether a VM presentation for a particular department is effective or not. In-case there is no impact then one needs to change the VM and try out something else.

**Accounts:** Finance is the life blood of any company so it is for retail also. The utmost care must be taken to manage the finance whether it is a store or the company as a whole. This is the most important function of the accounts dept. and ensure the effective utilization of the capital. For the effective utilization of the capital a detail and minute study of the financial data and transaction is required. The financial transaction and data consist of data related to income and expenditure and receipt and payment. The analysis of these data brings your focus on the undesirable or excess expenditure of the store and the company. A proper checks and balance will help the company to control these expenditures and finally add-up to the profits.

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## 18.5 DATA-DRIVEN RETAIL INVENTORY MANAGEMENT

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An effective and efficient Inventory management is one of the most challenging tasks for a retailer. An improper inventory management can take away the profit of the company and increase the cost to manifolds. Inventory management includes merchandise availability on the floor, controlling shrinkage, reducing wastage and defects in the product and managing supply chain. The proper management of all these requires data.

The stores need to send their stock requirements to the merchandiser on the basis of fast-moving styles, top styles, suitable price point and quantity etc. And these can be known after analysing the data available for the same. Sometimes departments are either over stock or under stock, in-case of overstock the excess stock needs to be removed from the respective department and increase the stock in-case the department is under stock.

Most of the retailers now follow the Auto replenishment techniques for the replenishment. Auto replenishment refers to the process where in the system automatically generates the stock requirement to the whare-house as the particular stock is sold. This happens on the basis of the available sale data.

Shrinkage is inseparable from retail and a retailer can't make it zero. But a better control mechanism can reduce it to the considerable extent, here again the data proves to be saviour for the retailer to understand and find the out the reason for the shrinkage. With the help of data, a retailer can identify the highest shrinkage departments. This is done by matching the physical count and system count of the inventory and highlight the departments causing highest difference or shrinkage and the retailer takes the corrective action to control the same.

In a retail store inventory gets damaged or defective due to mishandling by the employee or the customer resultantly it increases the cost of the company by hitting the bottom line. Therefore, a retailer needs to identify those departments causing more damage and defects and arrest the same to control the mishandling, hence they need data to identify such departments.

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## 18.6 LET US SUMMARIZE

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Data plays a significant role as far as organised retailing is concerned; every aspect of organised retail is data driven whereas in unorganized retail, owners are unable to track and use data in their decision-making process and business. What is data driven management in retail? The term data driven management in retail refers to the process of decision making on the basis of consumer data. The retailers rely heavily on these data to make business decisions and they drive their business and make predictions on the basis of these data and help them to understand consumer behaviour patterns.

Retailers gather the data related to their business from different sources internally and externally. What is the importance of data? To the retail industry are as follows: Business expansion, competition analysis, buying and merchandising, target determination, measuring productivity, and customer retention. The data can be applied to the different departments of a retail company such as human resources, marketing, operation(sales), visual merchandising, and accounts.

What is data-driven retail inventory management- inventory management includes merchandise availability on the floor, controlling shrinkage, reducing wastage and defects in the product and managing supply chain. The proper management of all these requires data. This is called data driven inventory management.

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## **18.7 KEY TERMS**

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**Data:** - This is a raw information in terms of numbers, and facts.

**V.M:** - Visual merchandiser is a person how is supposed to take care of the look and feel of the store.

**B&M:** - Buy and merchandising team is responsible for the procurement of the product or merchandise

**Productivity:** The output of an asset is called productivity, particularly of human resource

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## **18.8 ACTIVITIES**

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### **1) Fill in the Blanks**

- a) Data driven management means application of data in ..... of the company (policy/ management)
- b) Market segmentation refers to the making of ..... of similar customer means (group/batch).
- c) Finance is the life ..... of any company so it is for retail also (Heart / blood)
- d) In operation or sales needs to ..... various different matrix such as Sale, quantity sold, cash memo size etc. (Calculate/formulate)
- e) Buying & Merchandising team plans the stock at-least ..... month in advance (six/three).

### **2) True or False:**

- a) Attrition rate refers to the no. of employee who quits the company against the total no. employees available in a month. (True/False)
- b) Marketing team keeps on running various promotional offers and schemes for the employees. (True/False)

- c) Customer retention increases with increase in customer satisfaction. (True/False)
- d) Competition analysis means tracking the performance of the competitors. (True/False)
- e) Business expansion means adding up new units or branches with the existing ones. (True/False)

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## **18.9 TERMINAL QUESTIONS**

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- 1) Define data driven management in retail.
- 2) Explain in brief the importance of data application in retail?
- 3) Mention the application of data in different departments of a retail company.
- 4) What is data driven inventory management in retail?
- 5) Explain, how the sales targets are formulated in retail?

Data-Driven Retail (lexer.io)

