How Retailers Are Operationalizing Analytics With New KPIs

Benchmark Report

Brian Kilcourse and Steve Rowen, Managing Partners

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Executive Summary

Key Findings

Retail has become so much more complicated in recent years on both the customer order side (buy-online-pickup-instore) and on the supply side (bottlenecks, supply chain interruptions) – that the old ways of measuring success (same store sales, labor ratio-to-revenue) *just won't cut it.*

In fact, these "old school metrics" are really **scorecards, not real time alerts or calls to action.**

What retailers desperately need now, in order to act and react to real-time events as they continue to unfold at a breakneck pace, is a ***whole new generation of Key Performance Indicators (KPIs)***. This report seeks to examine how retailers are planning – and investing – for these new tools.

Some key findings include:

- 52% of retailers strongly agree that management is "*constantly looking for new ways to measure performance*" - but likely more importantly, those tools need to be easily digestible: 98% agree that "*the executive team needs performance reports that are 'short and sweet*'".
- The better a retailer's sales performance is, the more likely they are to trust in the power of data. 76% of Retail Winners (those whose sales are outperforming the norm) are already using and satisfied with tools that help them make sense of data being extracted from their legacy operational systems.
- When it comes interfaces, executive dashboards already hold the most appeal to retailers. 97% say these are the most valuable tools currently available, and 54% are not only already using such tools, but report that they are very happy with the results so far.
- Retail Winners (those whose sales are outperforming the norm) The best performers are also already far more reliant on things like natural language interfaces, exception alerting tools, and role-based mobile access, often-times at an implementation rate of more than 2 to 1 over their average and underperforming peers.

Based on our findings, we also offer a series of BOOTstrap recommendations that all retailers can follow to improve the status of how they implement and use new key performance indicators – and the technologies that help them make sense.

We certainly hope you enjoy the report,

Brian Kilcourse and Steve Rowen, Managing Partners at RSR Research

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Research Overview

What Gets Measured

20th Century management theorist **Peter Drucker** famously said, "*What gets measured gets improved".* The quote (actually, that's a misquote: Drucker really said, "*What gets measured gets managed*") has been used and abused so often that it has become a cliché, the justification for the implementation of ***Key Performance Indicators*** ("KPIs") throughout business processes across the globe.

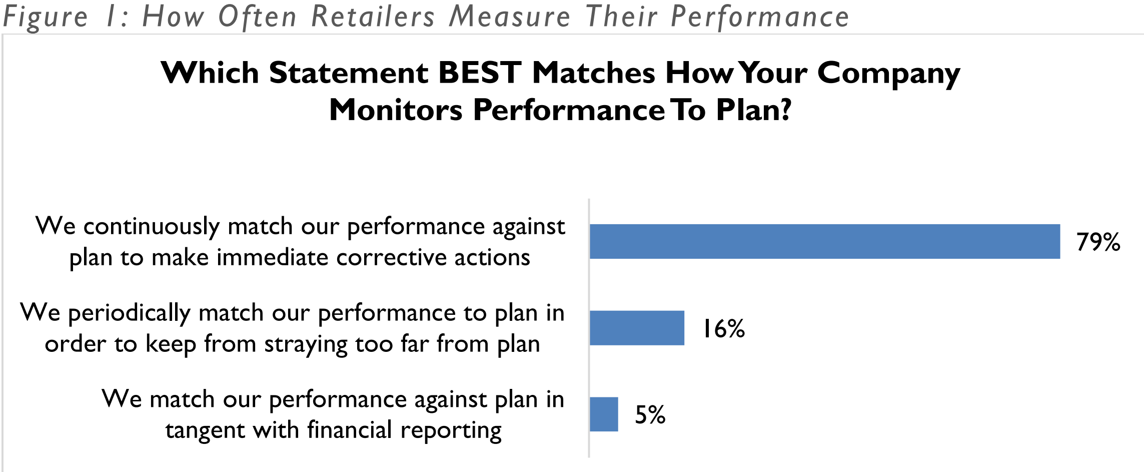
Retail is a famously results-driven industry and one of its oldest maxims is "*whatever it takes*". But with the recent sharp increases in the volume of omnichannel customer orders and the number of new fulfillment options (such as BOPIS: buy-online-pickup-instore, or direct-to-consumer delivery), retailers worry that the cost to serve any customer order may destroy the profitability of that order. The same holds true on the supply side of the retail operational model. Today's supply chains are more fractured than before, which in turn requires retailers to be much more agile in their responses to bottlenecks, supply interruptions, socio-political events, and even the weather.

With all the challenges on both the customer facing side of the business and the supply side, operational processes have both sped up and have become more complicated- and that cries out for optimization, which is predicated on the analysis of process metrics.

Retail has long been guided by the analysis of financial data and (since the advent of point of sale scanning systems in the 1980s) from transactional sales data, for example, "sales per square foot", "same store sales", "labor ratio to revenue", "average transaction value", "average items per transaction", etc. While useful, these performance measures are a look at business that has already been conducted. **They are scorecards, not real time alerts or calls to action**. Retail business leaders have used them to make decisions about the next business cycle (days, weeks, months, quarters), often leaning on their experience as much as by what the available data may tell them.

But business leaders know they need to act more quickly so that operations can be redirected to impact results in the current business cycle. That desire is reflected in Figure 1.

Figure 1: How Often Retailers Measure Their Performance



Source: RSR Research, June 2022

With the fast pace of change happening in the marketplace, retailers want to keep a close eye on performance compared to plan, and most indicate that they are *continuously* monitoring how the business is doing.

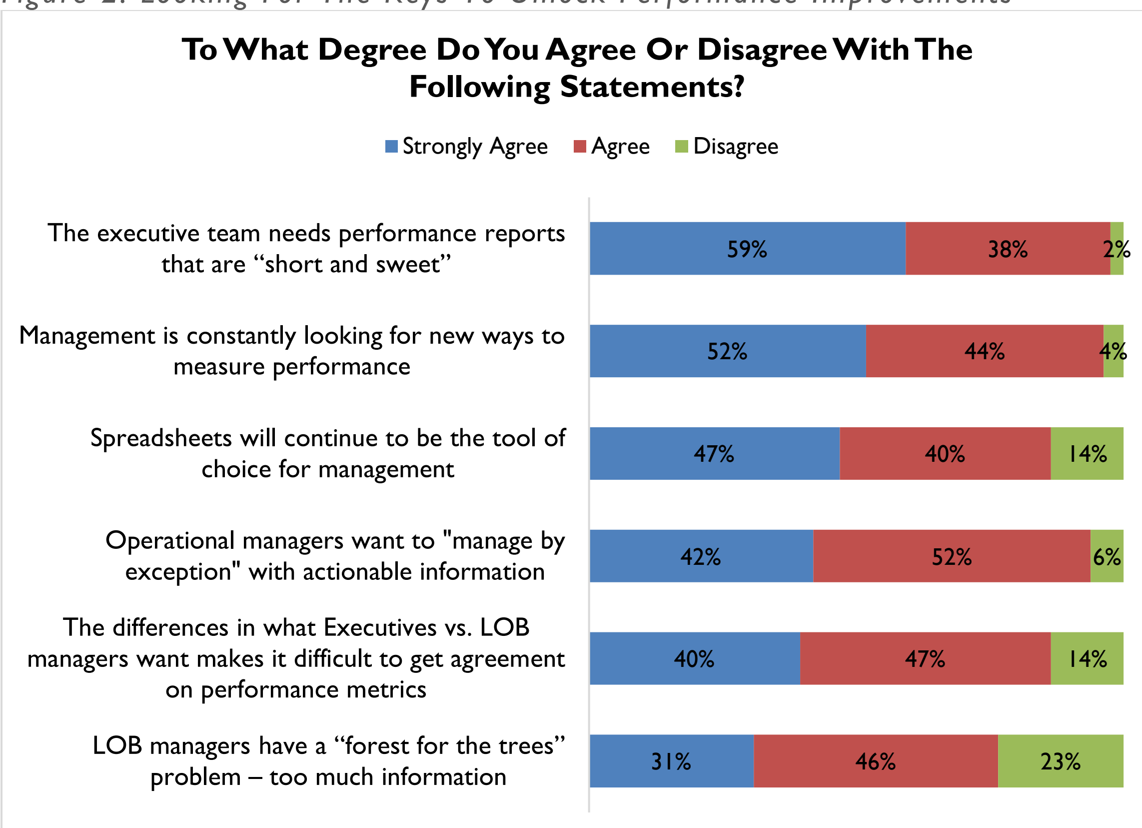
How are they doing it? Retailers' desire for actionable information highlights the importance of operational metrics that measure operational processes. The most important operational measures, *key performance indicators (KPIs)*, should be able to help business managers respond quickly and effectively to real time conditions in the marketplace.

The purpose of this study is to better understand if and how retailers are **operationalizing analytics** by using metrics to improve business processes, and by inserting actionable information into operational processes to enable an agile response to real time conditions. We wanted to learn which KPIs are gaining (or losing) importance, and what stands in the way of a more effective use of business analytics and KPIs to drive improvements.

'Just The Facts'

In our study, retailers are unambiguous – operational metrics are important. There is strong agreement that management is "*constantly looking for new ways to measure performance*" and that "*the executive team needs performance reports that are 'short and sweet'*" (Figure 2).

Figure 2: Looking For The Keys To Unlock Performance Improvements

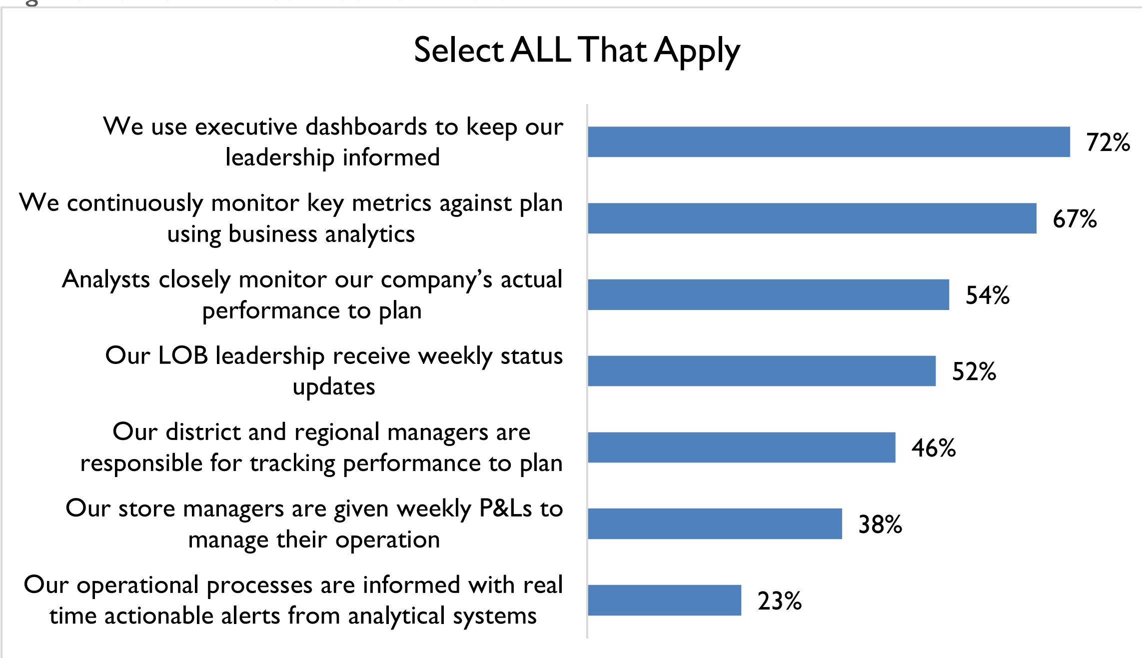


Source: RSR Research, June 2022

But old practices aren't necessarily going away. For example, the opinion that spreadsheets will continue to be a "tool of choice" for management may seem like an anomaly – after all, executives don't spend time doing pivot tables in Microsoft Office! More likely, it's a bow to reality. When we asked retailers how they monitor operations now, the rationalization for spreadsheets comes into better focus (Figure 3).

Executives may have access to dashboards so that they can know at a glance what's going on with the business, and analysts may continue to use complex business analytical systems to compare performance to plan. But at least for about one-half of the retailers who responded to our survey, line-of-business managers and regional and district operations managers, receive periodic reports (including spreadsheets) to help them to identify the necessary corrective actions to get actual performance in line with plans.

Figure 3: Real Time? Not So Much.



Source: RSR Research, June 2022

Disappointingly, less than one-quarter of the retailers in this study agree that operational processes are informed with real time alerts that can help retailers take immediate corrective actions. All of the other choices are <u>not</u> real time; in other words, while they may help managers take corrective steps to save the next business cycle, they won't help the current one.

What we can make of this is that retailers aren't "throwing the baby out with the bathwater" – the current methods of measuring performance are still important to them even if they focus on *results* rather than the *processes* that deliver those results. But the finding that so many retailers "*continuously monitor key metrics against plan*" implies that retailers aren't just looking at what the business has accomplished, but how it accomplished it. The question is, how can technology help them to see into those processes and alert them to exceptional conditions that might require management action?

While it's apparently still early days, *operationalizing analytics* is likely to happen in two phases: first, with the implementation of new measurements into operational processes so that they can be analyzed and optimized; and secondly with inserting real time alerts derived from analytics into processes so that immediate corrective decisions can be made, even to the point of automating certain decisions.

Inevitably, as with any discussion of new opportunities and new solutions, the question arises, "*who is doing this better?*" In virtually every RSR benchmark we've ever undertaken, the search for an answer to that question helps us identify "Retail Winners".

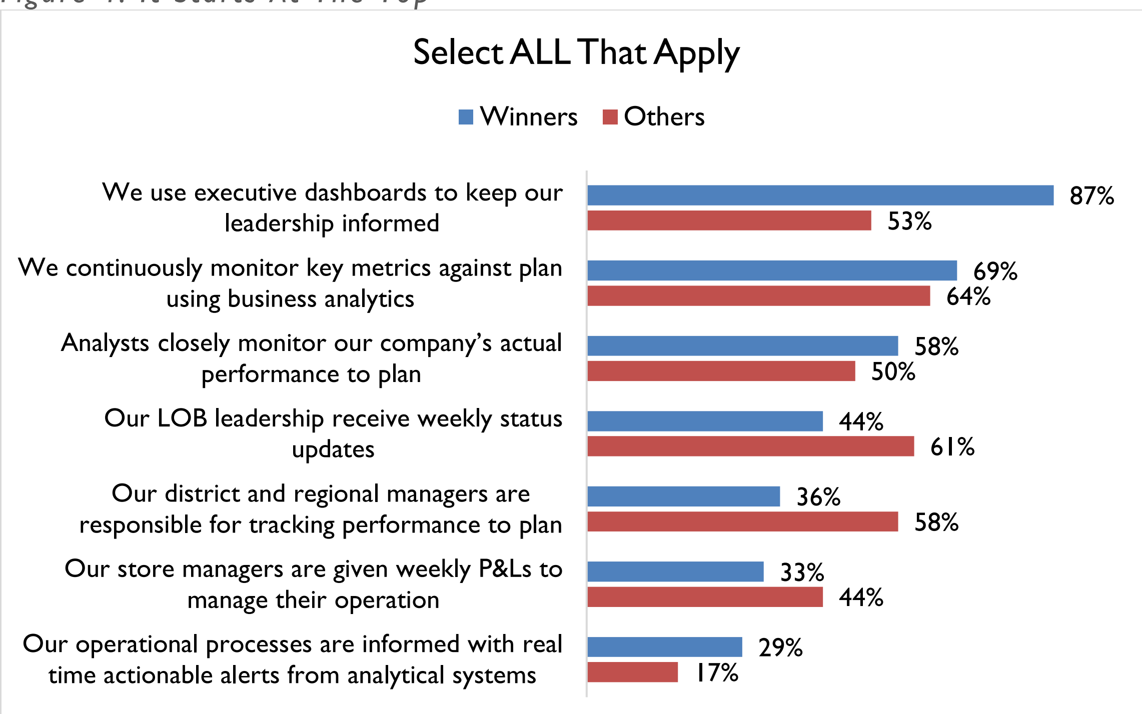
Retail Winners And Why They Win

In our benchmark reports, RSR quite frequently cites differences between retailer over-performers in year-over-year comparable sales and their competitors. We find that consistent sales performance is an outcome of a differentiating set of thought processes, strategies and tactics. We call sales over-performers "Retail Winners."

RSR's definition of these Winners is straightforward. Assuming industry average comparable store/channel sales growth of **7 percent**, we define those with sales above this hurdle as "*Winners*," those at this sales growth rate as "average," and those below this sales growth rate as "*laggards*" or "also-rans."

The clearest indication that the move towards operationalizing analytics is still in its early days in the retail industry is found in the emphasis that over-performing Retail Winners put on informing the executive team (Figure 4). Winners aren't waiting for new ways to improve the business to bubble up from LOB managers or the field: for them **meaningful change starts at the top**.

Figure 4: It Starts At The Top



Source: RSR Research, June 2022

And while overall less than 25% of all retailers in this study report that "*operational processes are informed with real time actionable alerts from analytical systems*", over 70% more Winners than others make that claim.

That's how Winners win – by aggressively exploiting information to improve performance.

Methodology

RSR uses its own model, called The BOOT Methodology© to analyze Retail Industry issues. We build this model with our survey instruments. See **Appendix A** for a full explanation.

In our surveys, we continue to find the kinds of differences in thought processes, actions, and decisions cited above. The BOOT helps us better understand the behavioral and technological differences that drive sustainable sales improvements and successful execution of brand vision.

Survey Respondent Characteristics

RSR conducted an online survey in the spring of 2022 and received answers from 81 qualified retail respondents. Respondent demographics are as follows:

- **2021 Revenue (US$ Equivalent)**

Less than $250 million	Excluded
$250 million - $499 million	15%
$500 million - $999 million	33%
$1Billion to $5 Billion	37%
Over $5 Billion	15%

- **Products sold:**

Fast Moving Consumer Goods	40%
Fashion & Specialty	14%
General Merchandise	21%
Hard Goods	21%
Vertically Integrated Brand	5%

- **Retail Presence:**

USA	99%
Canada	28%
Latin America	15%
UK	17%
Europe	22%
Middle East & Africa	7%
Asia/Pacific	15%

- **Year-Over-Year Sales Growth Rates** (assume average growth of 7%):

Better than average (“Retail Winners”)	56%
Average	37%
Worse than average	7%

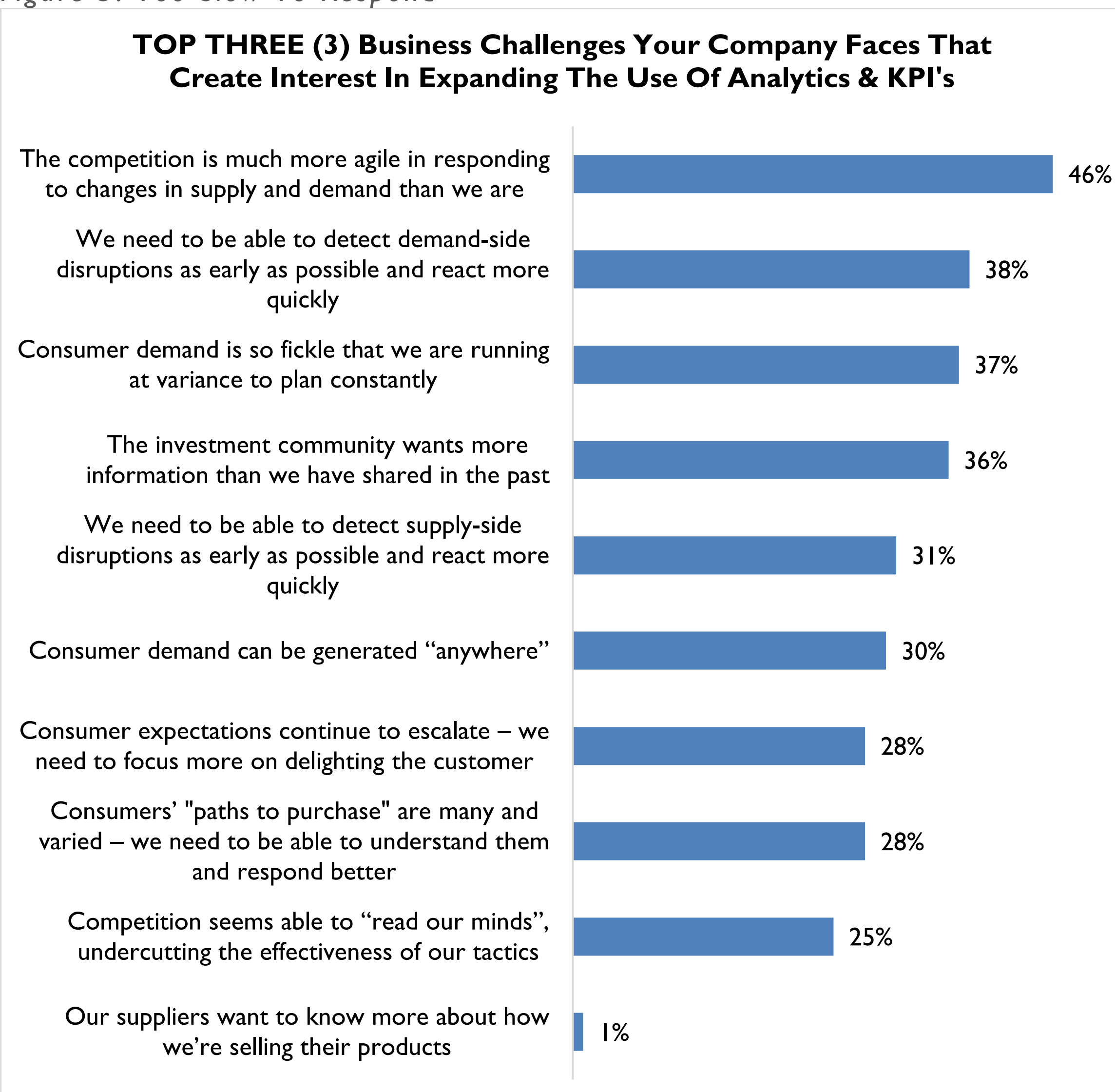
Business Challenges

The Crying Need For More Agility

Walmart founder Sam Walton once said, "*I don't know what would have happened to Walmart if we had laid low and never stirred up the competition… we would have remained a strictly regional player.*" That kind of competitive spirit has propelled the giant retailer to aggressively pursue operational excellence with its information assets. Of course, that company isn't alone–many retailers demonstrate the ability to respond very quickly to sudden changes in the marketplace.

For retailers, the competitive edge that Winners have is either a call to action or a threat. Either way, it is the #1 external challenge that causes retailers to consider new analytics and KPIs (Figure 5).

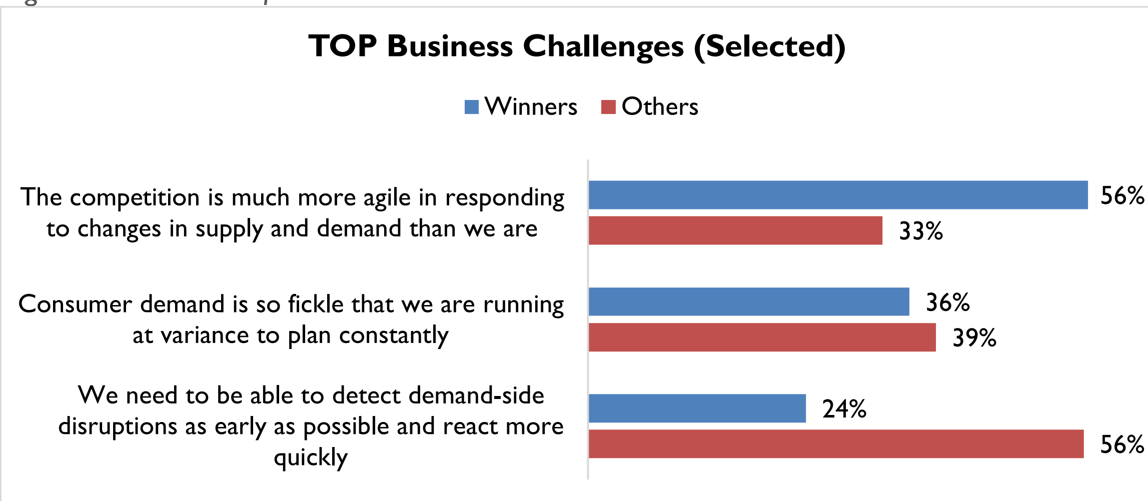
Figure 5: Too Slow To Respond



Source: RSR Research, June 2022

What makes that top choice so interesting is that it is perceived to be more critical than other, more tangible, concerns – such as the ability to respond more quickly to either demand-side or supply side disruptions. This isn't a challenge that they have any control over. And it's even more fascinating that Winners express the greatest concern (Figure 6).

Figure 6: The Wolf At Your Heel



Source: RSR Research, June 2022

Whether that's true or not is up for debate. But following Sam Walton's dictum, over-performers stay sharp by acting as if the competition is catching up.

Average and under-performers focus on one of those more tangible concerns – that they need to be able to respond much more quickly to sudden shifts in demand. A good example of that challenge comes from the recent past: RSR observed in 2020[1] (during the height of pandemic) that retailers were increasingly focused on being able to adjust near-term allocations and replenishments to stores and order fulfillment centers in reaction to observed shifts in demand and the availability of supply. Far fewer Winners are concerned about their ability to respond in such a manner than average and under-performers are.

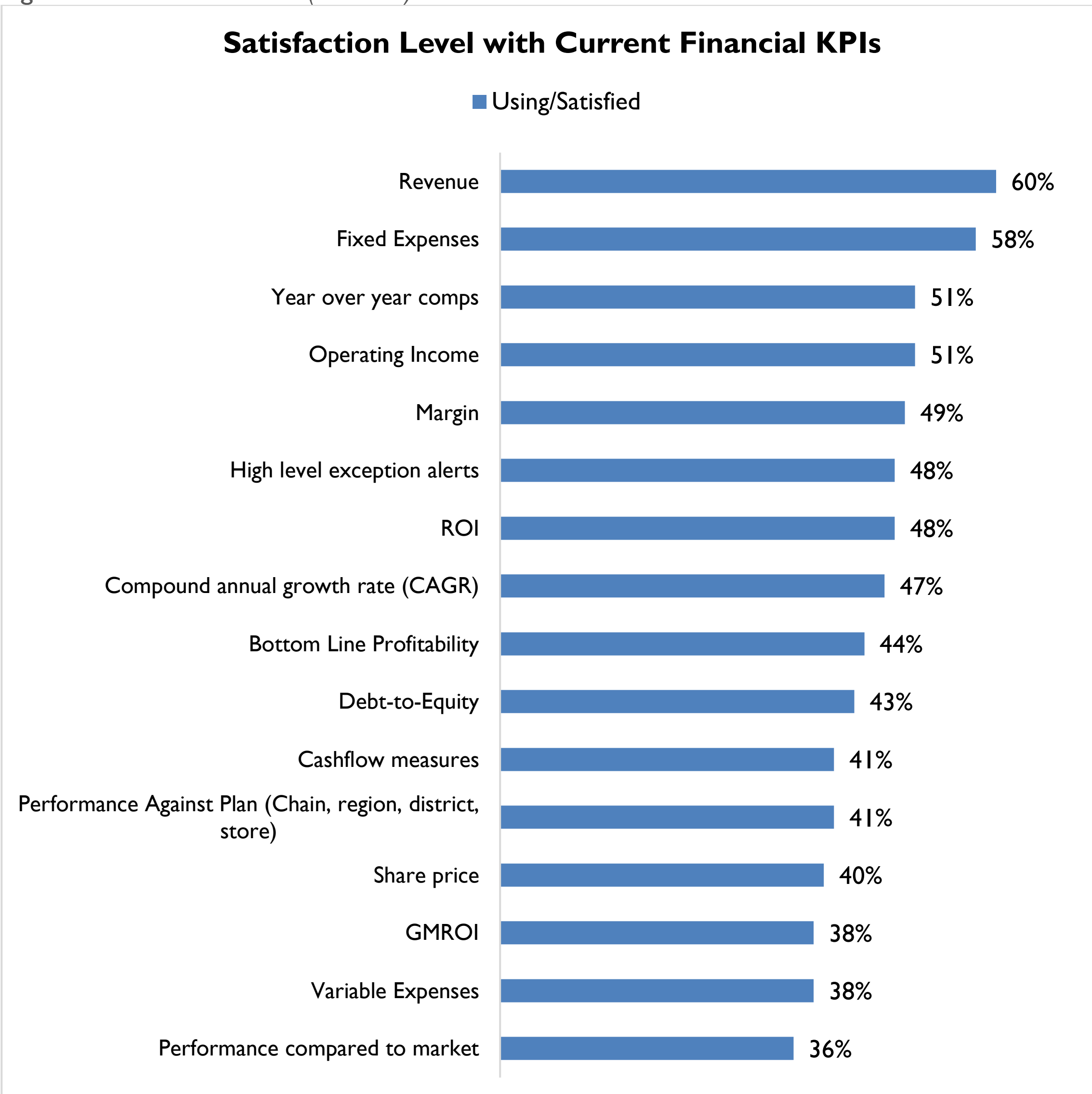
Traditional Measures Are Not Enough

We mentioned at the beginning of this report that retailers have used financial and transactional data from operational systems as the basis for planning for the next business cycle (days, weeks, months, and quarters. But to reiterate, these measures are scorecards, not real time alerts or calls to action.

In the context of becoming more operationally agile, retailers are clearly not satisfied that traditional performance metrics are sufficient to help them to respond more quickly to changes in the marketplace. For example, when we asked about the operational value of typical financial KPIs, few retailers seem satisfied (Figure 7).

[1] **Business Continuity And Recovery In The Age Of COVID-19: The Role Of Location Intelligence**, RSR Benchmark Report, August 2020

Figure 7: Faint Praise (Part I)

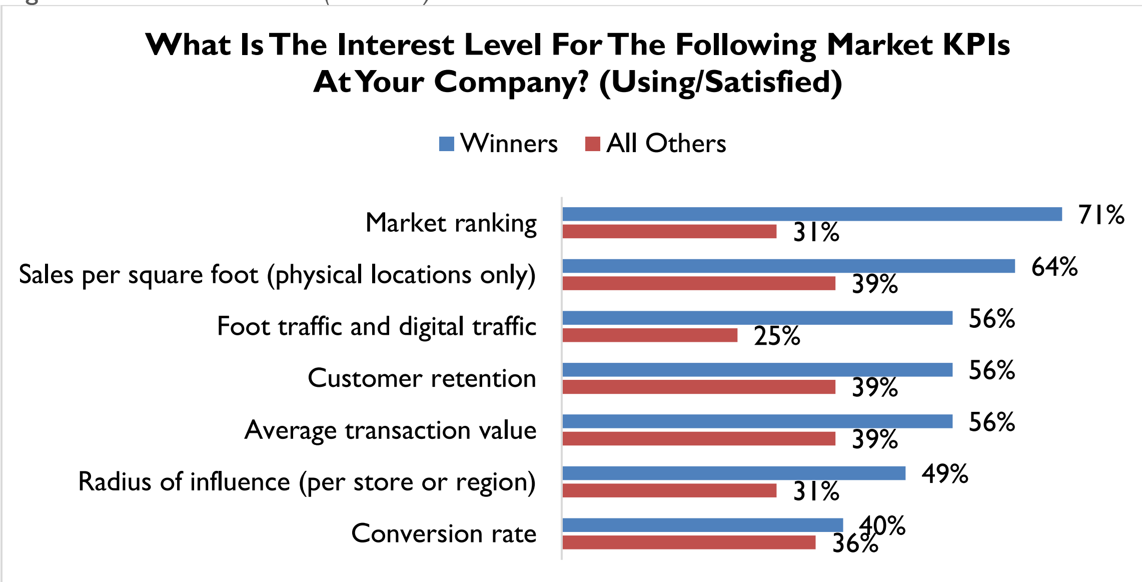


Source: RSR Research, June 2022

The same is true for measures of how well retailers are doing in the competitive marketplace. While these measures are interesting from a corporate strategy perspective, they aren't helpful in helping retailers respond quickly to changes in the marketplace (Figure 8).

Interestingly, given how concerned Winners are that competition is more agile in responding to market conditions (Figure 6, above), the same retailers are much happier with the effectiveness of the market KPIs we asked about. But for the majority of average and under-performers, these metrics as they are implemented aren't of much use at all.

Figure 8: Faint Praise (Part 2)



Source: RSR Research, June 2022

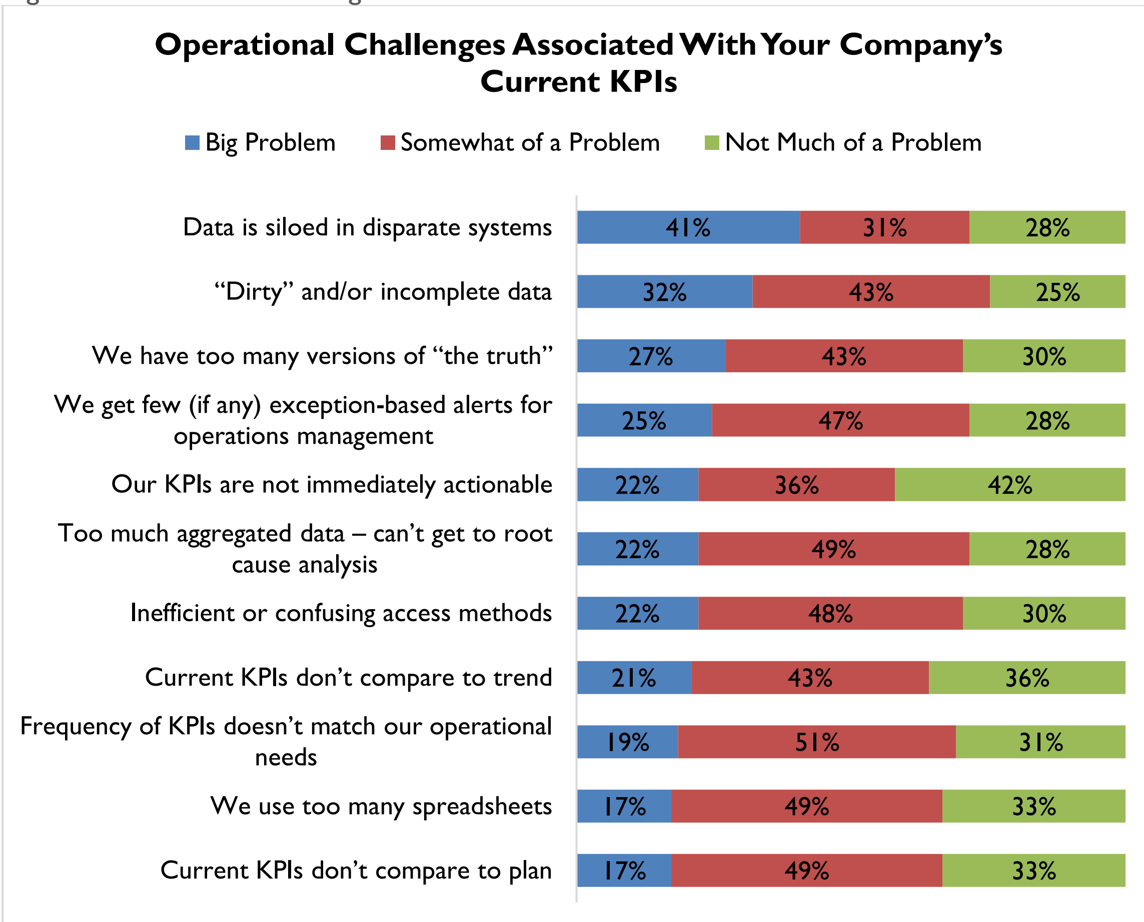
Clearly, the message is that retailers can't wait as long as the next reporting cycle to sense and respond to changes in the marketplace. They want more actionable information, and they want it faster.

Reporting Vs. Alerting

Before retailers can enable operational KPIs that are actionable, there are other more pressing problems that should be addressed first.

Retailers have a lot of data transactional available from their operational systems, and it is used for reporting purposes. But it's clear that using that data to alert the business to exceptional conditions in operational processes in real time will not be easy to accomplish (Figure 9).

Figure 9: Not Fast Enough



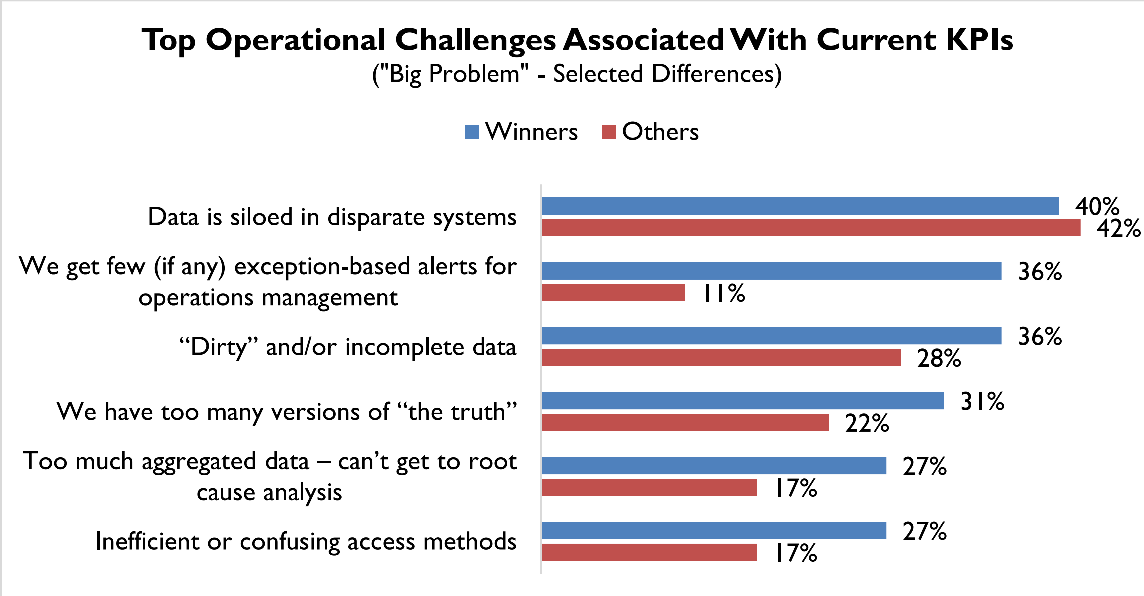
Source: RSR Research, June 2022

The top operational challenge, that data is siloed in the operational systems that produce them, is a leftover from retailers' legacy IT portfolios. Right behind that is another "legacy" problem: "dirty" and incomplete data. These two tend to go together, and they stand in the way of using advanced data analytics such as AI[2].

But when we look inside the responses, an interesting performance-related difference is revealed. While about the same number of over-performers and others agree that siloed data is a major challenge, far more Winners than others indicate that other related issues with existing data are a "big problem" (Figure 10). Given the emphasis that average and under-performers put on their need to be able to respond much more quickly to sudden shifts in demand, we can only surmise that this an awareness issue.

[2] In 2020, one analysis concluded that data scientists spend as much as 80% of their time on data quality issues (**https://www.infoworld.com/article/3228245/the-80-20-data-science-dilemma.html**).

Figure 10: The First Step- Admit That You Have A Problem



Source: RSR Research, June 2022

The Bottom Line On Business Challenges

One phrase sums up all of the business challenges that retailers identify: **retailers need greater process agility**. The operational challenges associated with supporting improved responsiveness to real time conditions represent a big to-do for most retailers. But as we'll see in the next section of this report, that concern isn't dampening retailers' desire for greater agility.

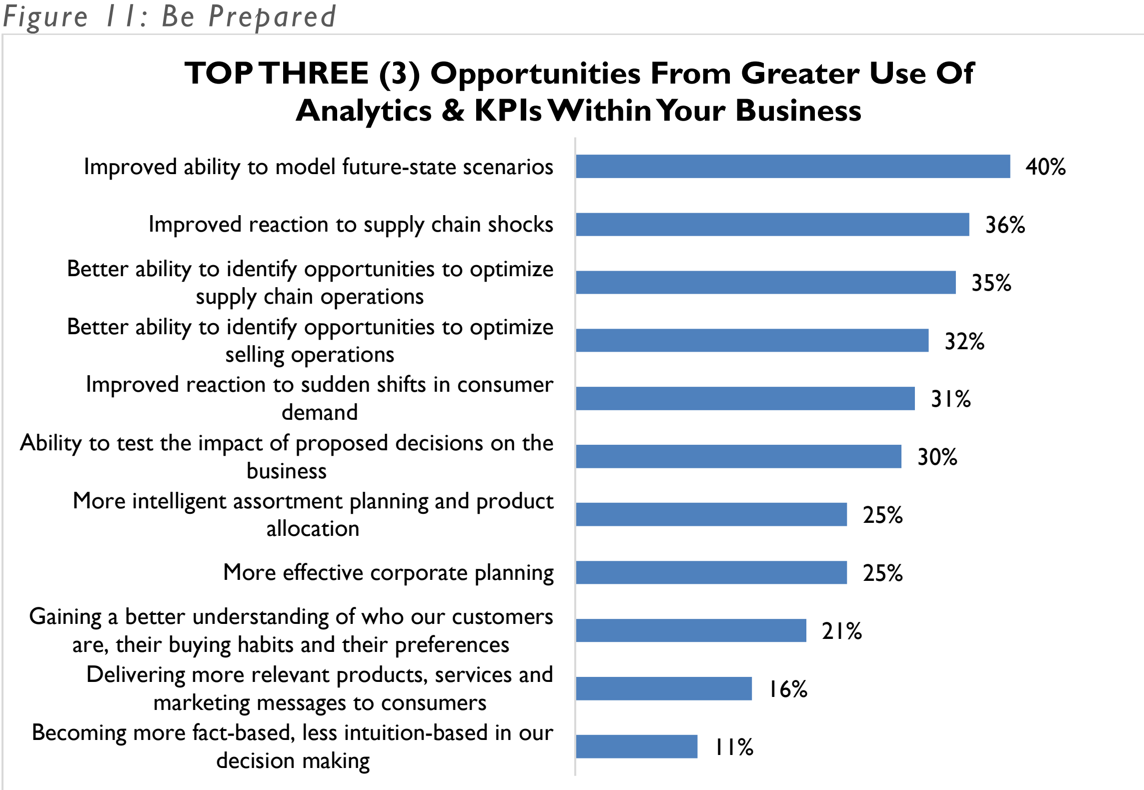
Opportunities

The Path Toward Agility

Earlier in this report, we pointed out that "*Retail is a famously results-driven industry and one of its oldest maxims is 'whatever it takes'.*" Retail is also a famously reactive business, i.e., when there are changes in either supply or demand, retailers try to respond as quickly as they can. The question is, how long does it take for a retailer to sense a change and react to it? The best way to illustrate the challenge is with this simple graphic:

Traditionally, retailers adjust their plans and forecasts for the next cycle in response to changes to either supply or demand (Scenario #1). With improved operational processes and alerts, retailers expect to significantly reduce the reaction time to changing conditions (Scenario #2). But even though that is the immediate objective for retailers, many are already looking toward a more advanced option: to model future-state scenarios to anticipate changing conditions (Scenario #3). In fact, that is the top opportunity that retailers identify (Figure 11).

Figure 11: Be Prepared

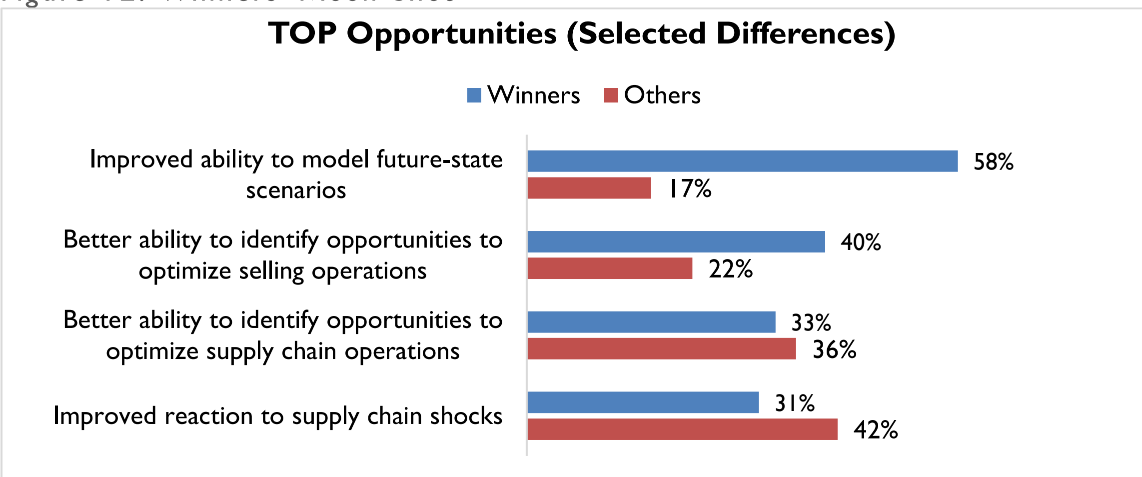


Source: RSR Research, June 2022

There is a cause-and-effect to the top opportunities that retailers identify: the #1 top opportunity, *scenario modeling*, should help retailers to improve their reactions to supply chain shocks, make it possible for retailers to optimize supply chain and selling operations, and enable quick reactions to sudden shifts in consumer demand.

As we've come to expect, the desire to model future-state scenarios is a Winner's choice – but we were surprised at how many more Winners favor this opportunity than non-Winners (Figure 12). Using the graphic at the beginning of this section as a reference, it's clear that Winners are shooting for Scenario #3, while average and under-performers are focused towards achieving Scenario #2.

Figure 12: Winners' Moon Shot



Source: RSR Research, June 2022

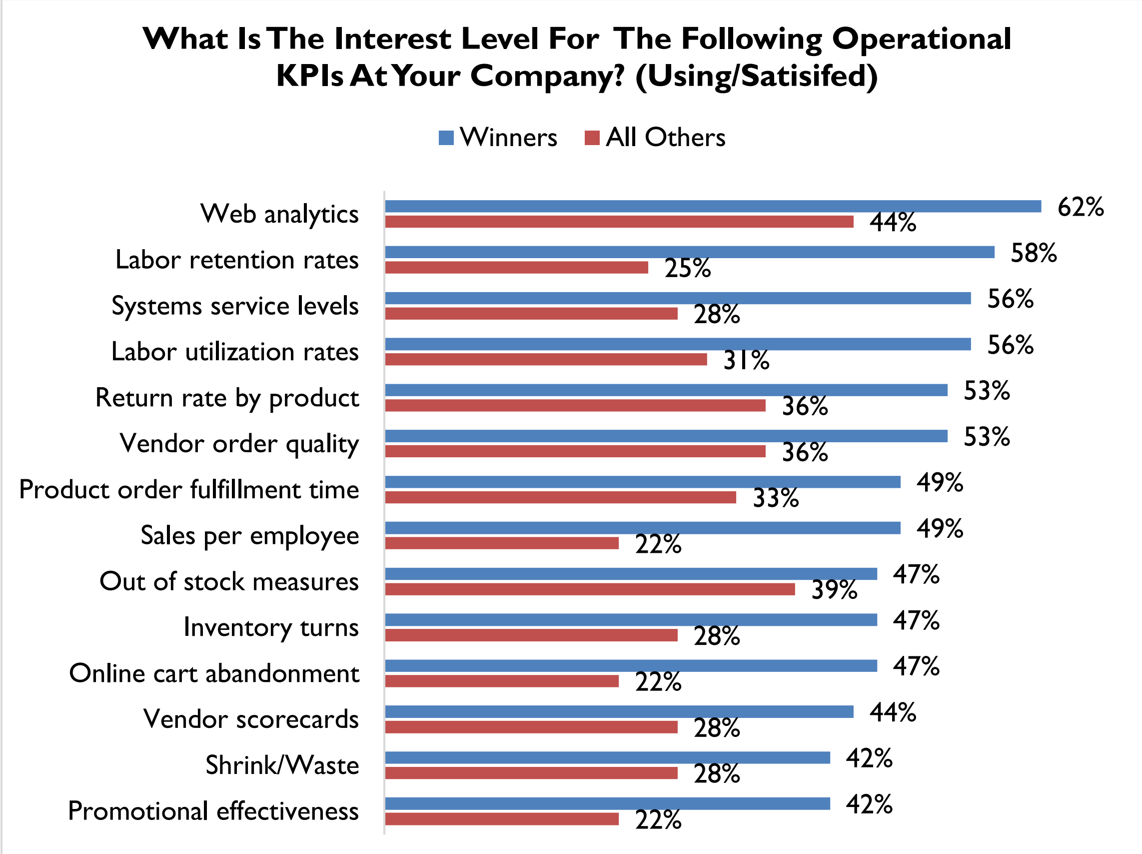
Getting Specific

For this study, we wanted to take a deeper dive into how effectively retailers are using operational KPIs to monitor their business processes. We grouped the KPIs as follows:

- Operational metrics
- Customer Order Fulfillment metrics
- Customer Experience metrics.

The broadest category, Operational Metrics, includes key focus areas that we've learned about in other RSR benchmark studies, especially on the subjects of Ecommerce, supply chain and workforce management. In every case, less than 50% of average and under-performers are using and are satisfied with the operational KPI is question (Figure 13), while no fewer than 40% of the over-performers who responded to the survey are satisfied.

Figure 13: Monitoring Retail Operations



Source: RSR Research, June 2022

There are some interesting differences in responses by retail vertical. For example, more fast-moving-consumers-goods (FMCG) retailers are satisfied with metrics related to labor management than the overall response group:

"Using & Satisfied"	All	FMCG
Labor utilization rates	44%	56%
Labor retention rates	43%	53%
Sales per employee	37%	44%

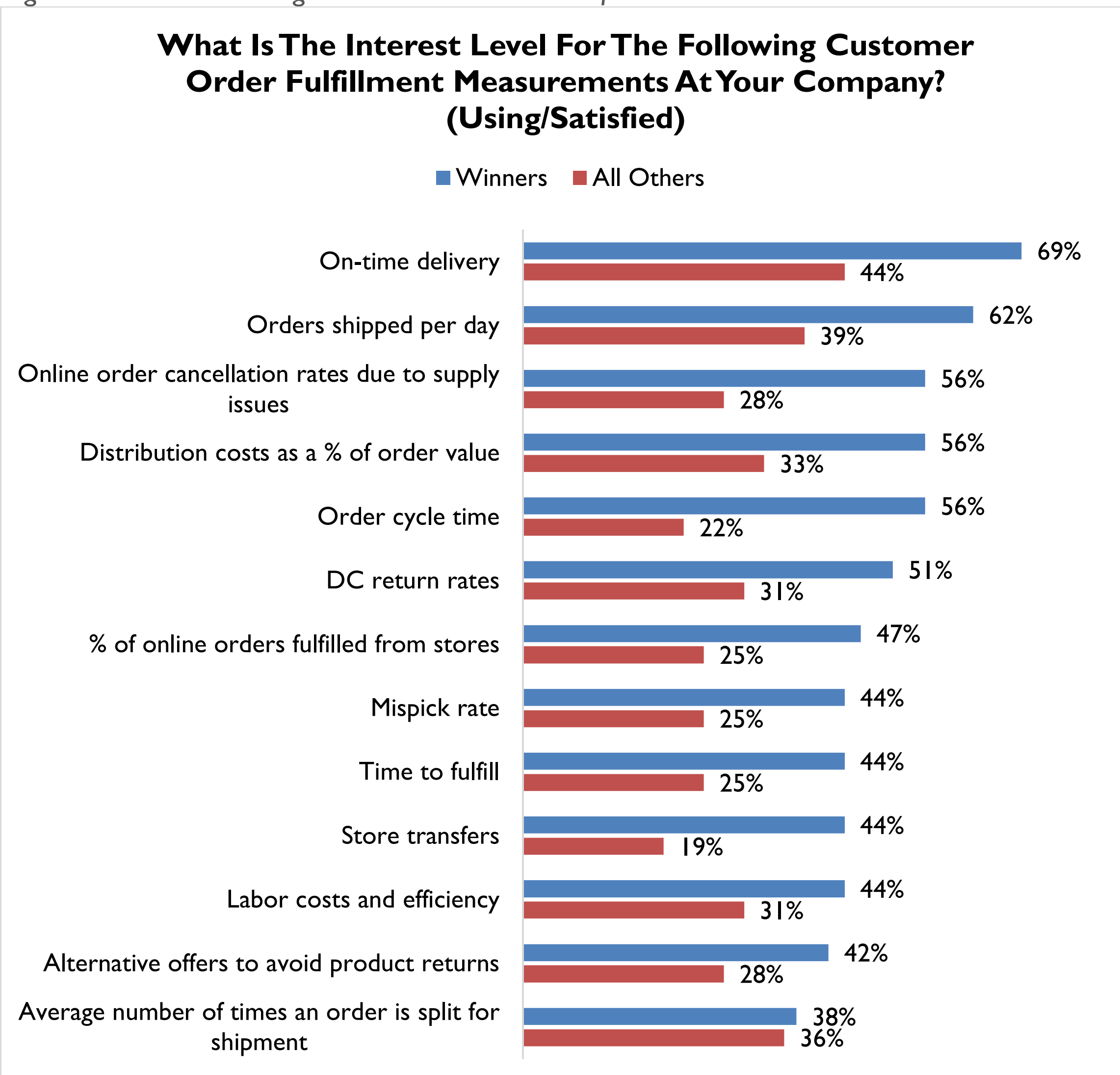
More FMCG'ers are also satisfied with metrics associated with vendor performance and inventory turns, especially in comparison to General Merchants (GM):

"Using & Satisfied"	All	FMCG	GM
Vendor scorecards	37%	47%	24%
Inventory turns	38%	47%	29%

But these differences aside, the effective use of these metrics is a Winner's story, and even for them, there's plenty of room for improvement.

The story is even more challenging for average and under-performers when it comes to metrics that measure the effectiveness of customer order fulfillment processes (Figure 14). RSR has noted that **omnichannel order management moved from being a nice-to-have in 2019 to being an imperative in 2021**[3], especially for “buy-online-pickup-instore” customer orders and direct-to-customer (D2C) deliveries – all the result of the global pandemic. While most retailers did what was necessary to satisfy customers, there is clearly more work to be done to be able to monitor and (hopefully) optimize order management and fulfillment processes.

Figure 14: Monitoring Customer Order Fulfillment

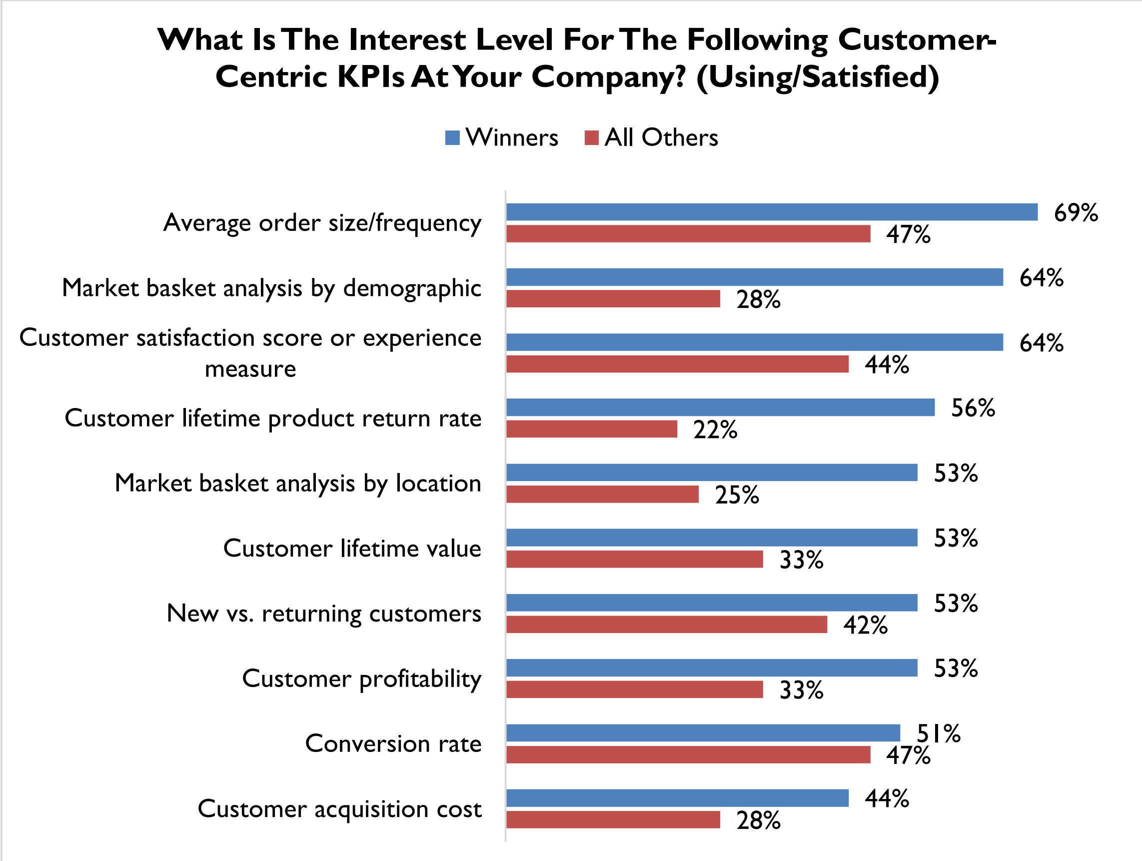


Source: RSR Research, June 2022

Finally, when we asked about metrics that address the customer experience, we see the same pattern: Winners are just farther ahead than their lesser performing competition (Figure 15).

[3] Retail Ecommerce In Context: The Next Iteration, RSR Benchmark, June 2021

Figure 15: Monitoring The Customer Experience



Source: RSR Research, June 2022

In RSR's 2021 study on the State of Ecommerce in Retail[4], we learned that only 2% of retailers that engage in Ecommerce aren't using some form of customer satisfaction measure (NPS, CSAT, CES, or other). Regardless, for the 98% that do use measures, far fewer are satisfied with the utility of these process metrics to improve operational processes.

Summing Up The Opportunities

The good news is that retailers don't need convincing to understand the value of new process KPIs and the analytics that generate them. It's a "glass half-full or half-empty" issue. While most retailers are either using or actively considering implementing virtually every metric we asked about, there's clearly a lot of work to be done to make them more effective.

In the next sections, we'll discuss the organizational inhibitor that stand in the way of the adoption and use of operational KPIs, and which technologies retailers most favor to enable them.

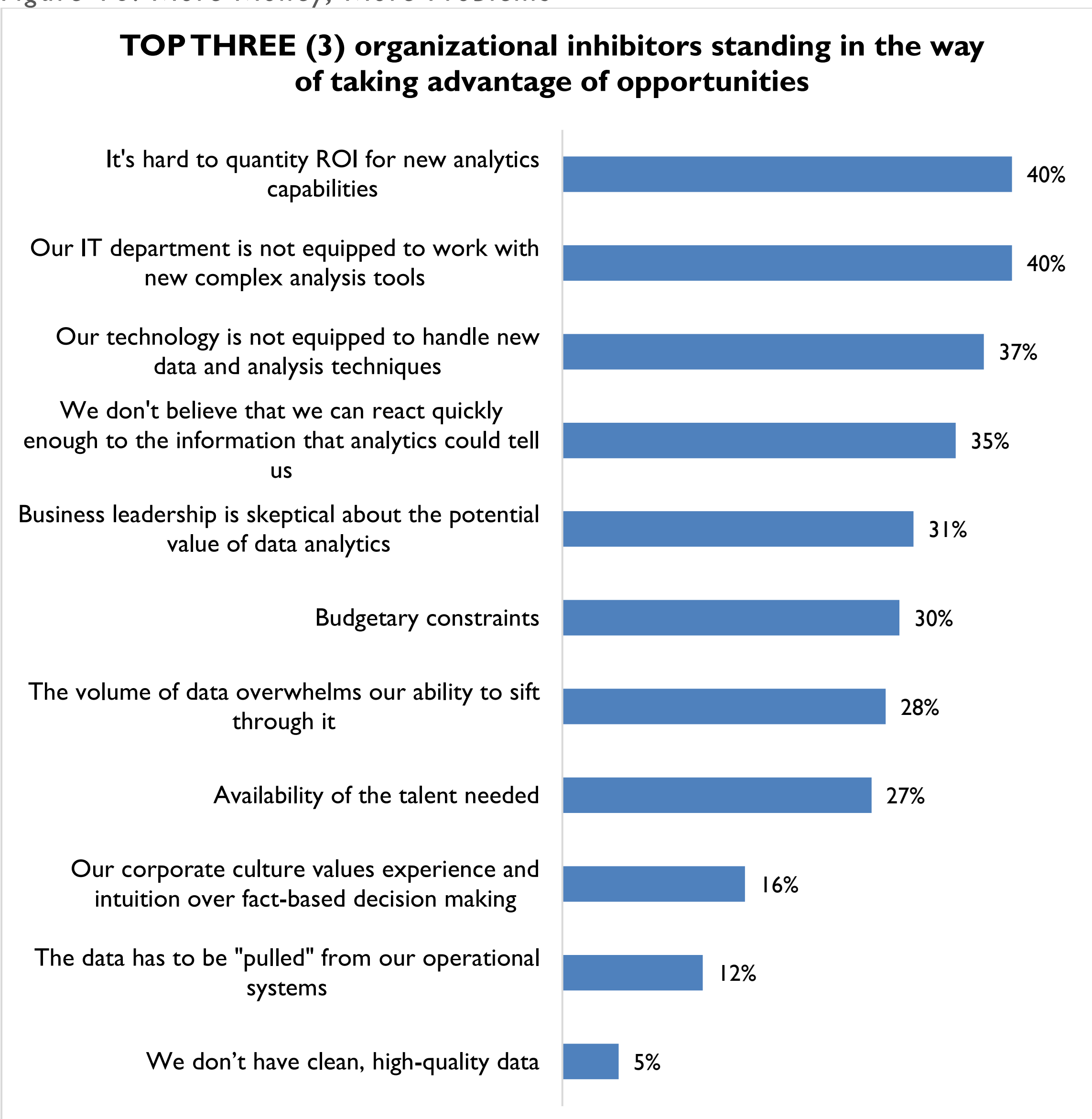
[4] **Winning At Customer Acquisition In The Digital Shopping Age**, RSR Benchmark, January 2022

Organizational Inhibitors

What Is Preventing Progress?

While the opportunities that come from improved measurement tools are impressive, retailers suffer no illusions as to what stands in their way for making more – and better – use of this new generation of tools. When asked to pick three *and only three* inhibitors from a list of nearly a dozen, retailers go right to the heart of the matter: it's hard to quantify return on investment for many of these improvement tools (more on that in a moment), and even if they could – IT departments aren't currently equipped to make use of these "seemingly" complex tools.

Figure 16: More Money, More Problems



Source: RSR Research, June 2022

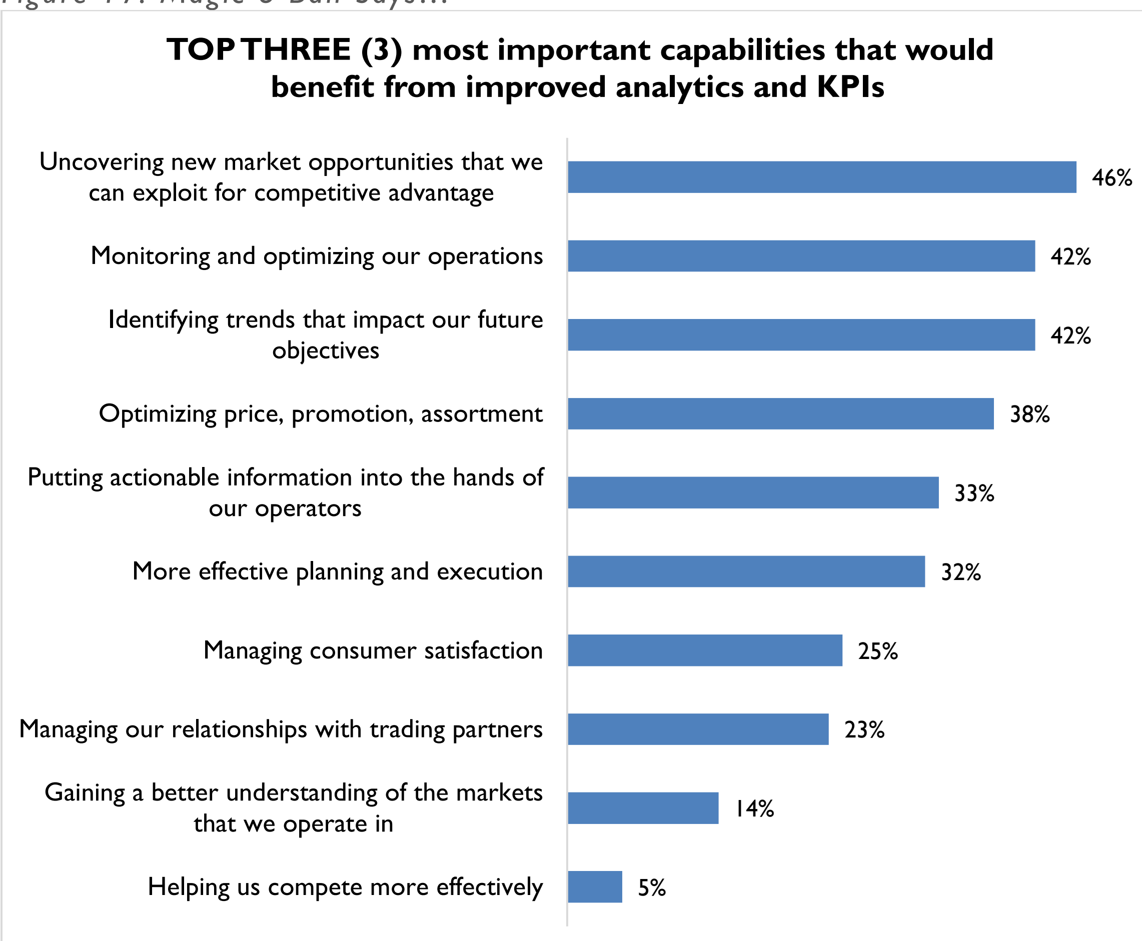
What Figure 16 really tells us is that the technology community has a problem. A problem of perception.

Nearly 1 out of every 2 retailers picked the same 3 inhibitors from our sizable list. Their perception? New KPI tools are *expensive*, *difficult for personnel to learn*, and – what's more – *won't play well with the existing technologies they already have*. Whether these beliefs are true or not is not important. (For what it's worth, we have enough candid ongoing conversations with winning retailers to think these perceptions, *while certainly grounded in historical truth* – happen to be quite outdated today).Technologies have come a long way recently, and several winning retailers are happy to keep that truism to themselves. However, the truth is immaterial. The fact is this is what retailers *believe* – and that, inherently, makes it reality. Technologists have some minds to change if they want their latest wares to become widespread.

Help Us See The Future

When asked which capabilities would benefit most *if-and-when* new analytics are in play, our retail respondents say they **want help seeing around corners**. Indeed, 42% say they want help in optimizing their day-to day operations, but 2 of the top 3 options they select are all about discovering trends ***before*** their competitors get a chance to (Figure 17).

Figure 17: Magic 8 Ball Says…



Source: RSR Research, June 2022

Quite simply, Figure 17 teaches us that retailers see KPIs that can help them today as interesting. Those that could help them make better decisions for tomorrow, however, are downright fascinating.

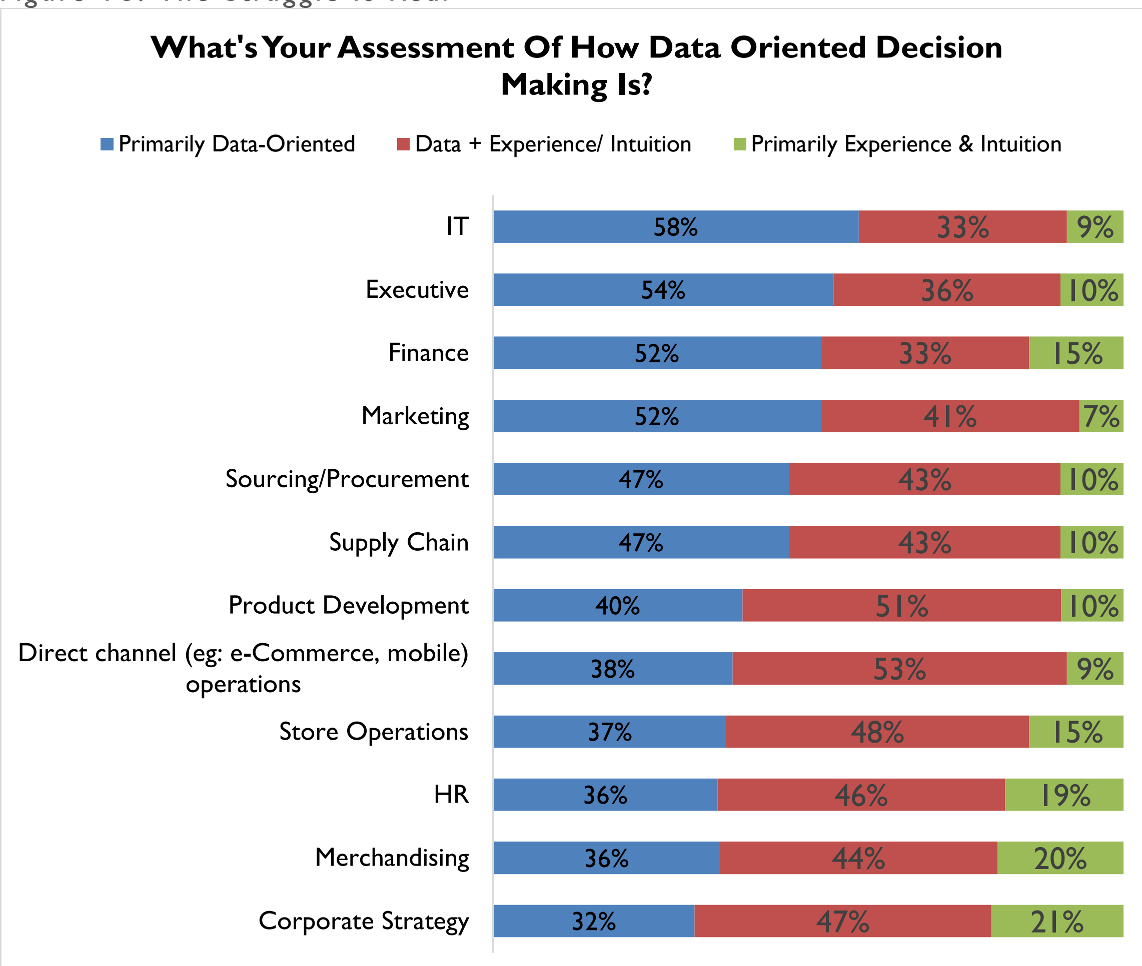
Push And Pull

It's difficult to overstate the importance of ***how*** decisions are made in the modern retail enterprise. Not all that long ago, a large part of the analyst community's job was to convince battle-hardened retailers that gut feel was not *the only* way to build on the legacy of their brand. Data could be useful, yes, but was often seen as unclean and untrustworthy enough to be nothing more than an indicator to be taken into consideration within a much larger conversation that relied heavily on past human experience and executive vision.

In perfect irony, "data" was often seen as just a plot on a larger graph.

What Figure 19 shows us is that for retailers - in aggregate - this battle is still being fought, especially in certain departments of the organization. It rages particularly strongly in such traditionally-feel-based decisions as how stores are being reimagined and run, how such "new" areas of engagement like eCommerce and mobile operations are handled, and most of all: how new products get developed.

Figure 18: The Struggle Is Real

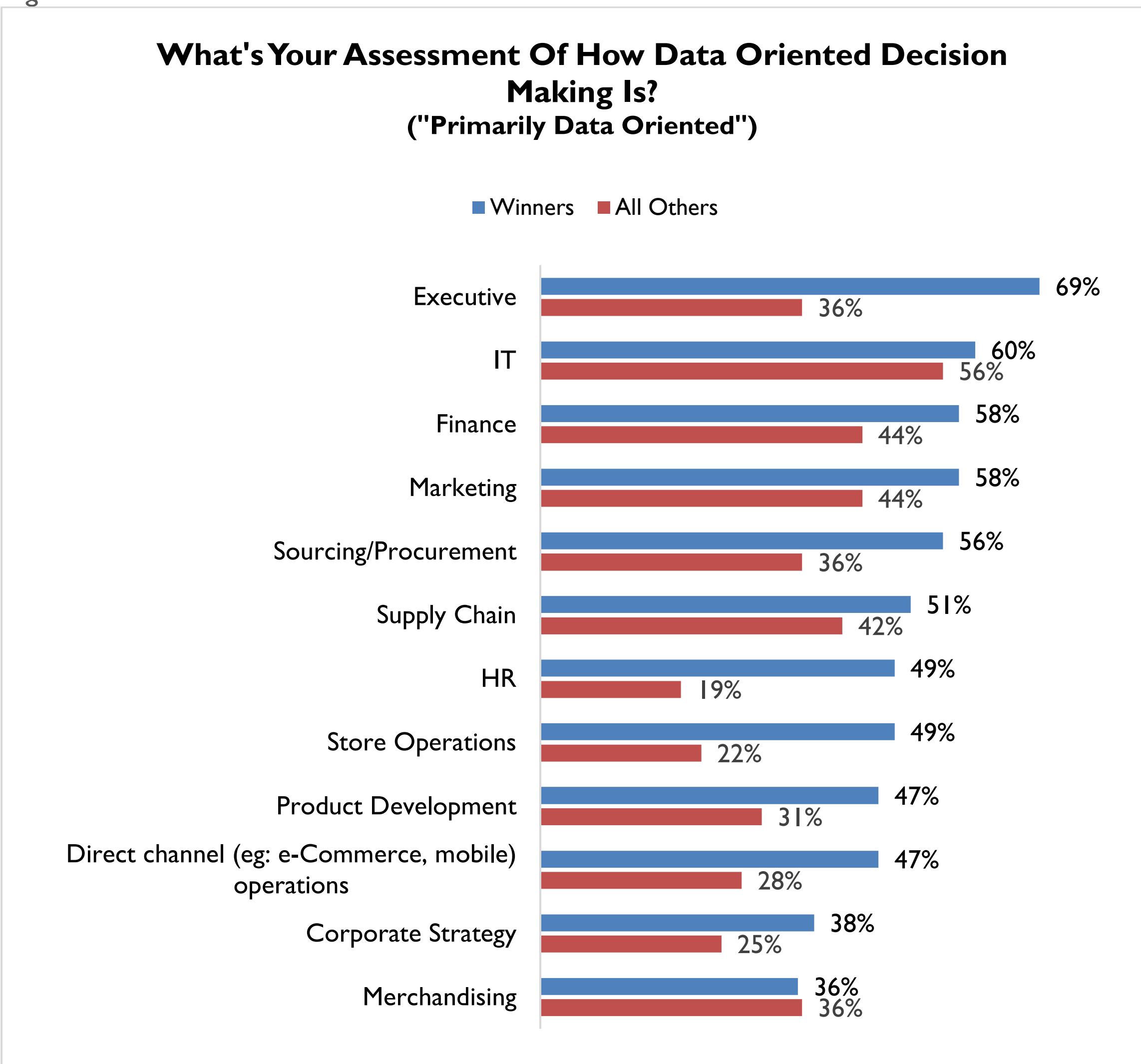


Source: RSR Research, June 2022

A Big However

However - as always - Winners have a different take on things. Figure 19 shows the exact same data we just saw, but through the lens of sales performance. The better a retailer is already doing, the more likely they are to have virtually every decision-making member of their enterprise make those decisions based *primarily on data*. This is undeniable proof of why Winners win. With the exception of merchandising decisions (where gut-feel still plays a vital and somewhat artistic role, particularly in fashion), Retail Winners go where the data tells them to go. They trust it – and they are reaping the benefits of that trust at the sales till.

Figure 19: Data Wins!



Source: RSR Research, June 2022

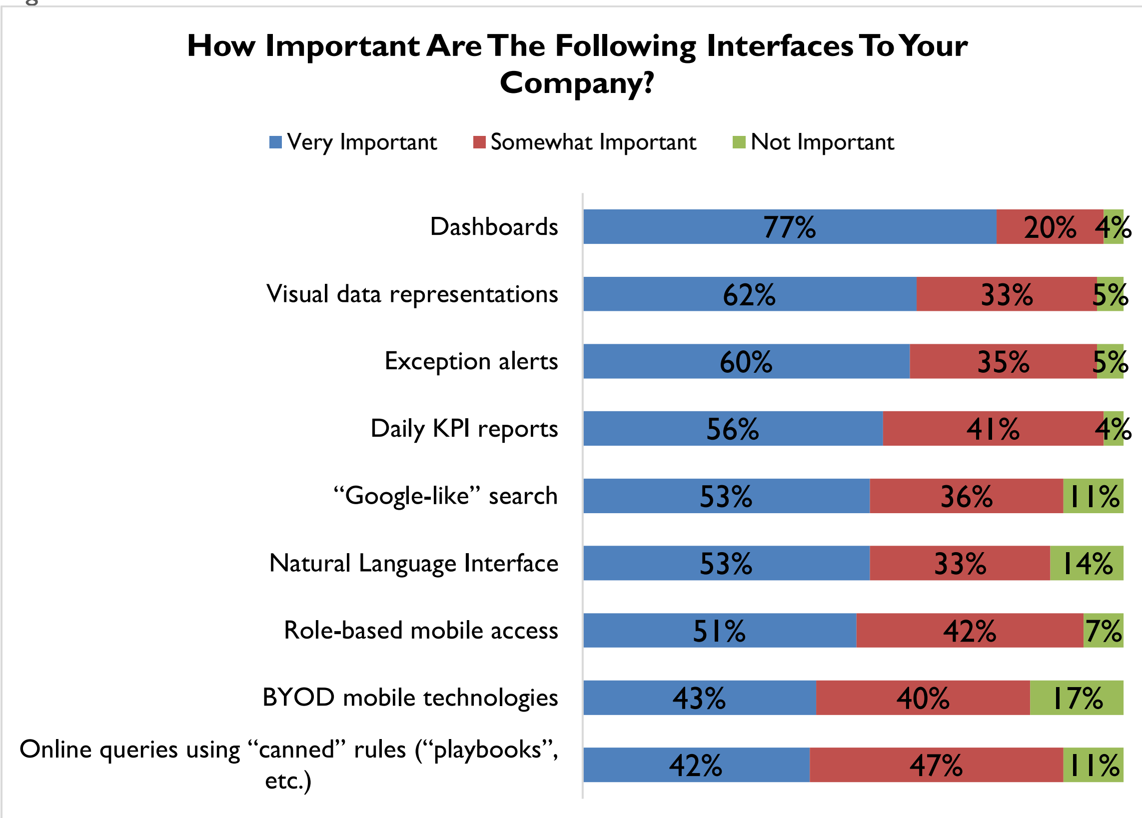
Now let's see how retailers are investing as a result of all that they've told us about their beliefs in next-gen analytics and KPIs so far.

Technology Enablers

The Optics Of It All

When it comes to perceived value of the technologies at hand, retailers couldn't be any clearer: they want dashboard-style tools (Figure 20).

Figure 20: Dashboards Rule The Roost



Source: RSR Research, June 2022

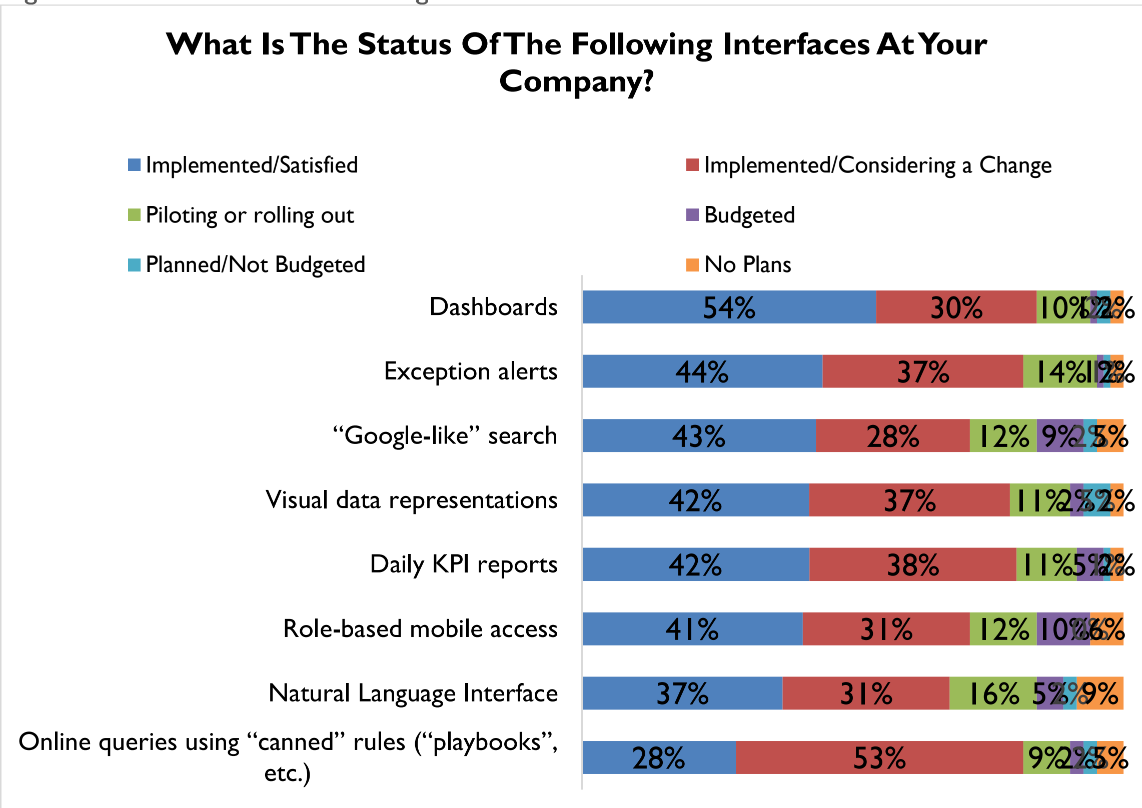
In fact, when the preferences from Figure 20 are analyzed, a clear picture comes into focus; while next-gen analytics ramp up in the complexity of what they *can* do, that does not mean the user interface should. Retailers say "bring on the capability – but keep it clean from a visual point of view." They want consumer-grade visuals (visual data representations, exception alerts, even Google-like search functions) across the board, as the progression towards data-enabled-decision-making-for-all marches on.

This is something technologists have (*historically… sometimes*) struggled to keep in mind. Understandably impressed by the technical prowess of their wares, KPI tools can often reflect the pride of their technical developers. However, Figure 20 serves as a reminder to keep it simple – no matter how vast the capabilities may become.

A Practical Matter

While perceived value is important, Figure 21 picks up where Figure 20 left off: retailers are already enamored of tools that can make truly complicated tasks within the enterprise easier to identify understand, and act upon. Dashboards are not only how they *want* to consume this information – it's how they are already electing to do so.

Figure 21: The Dashboard Light

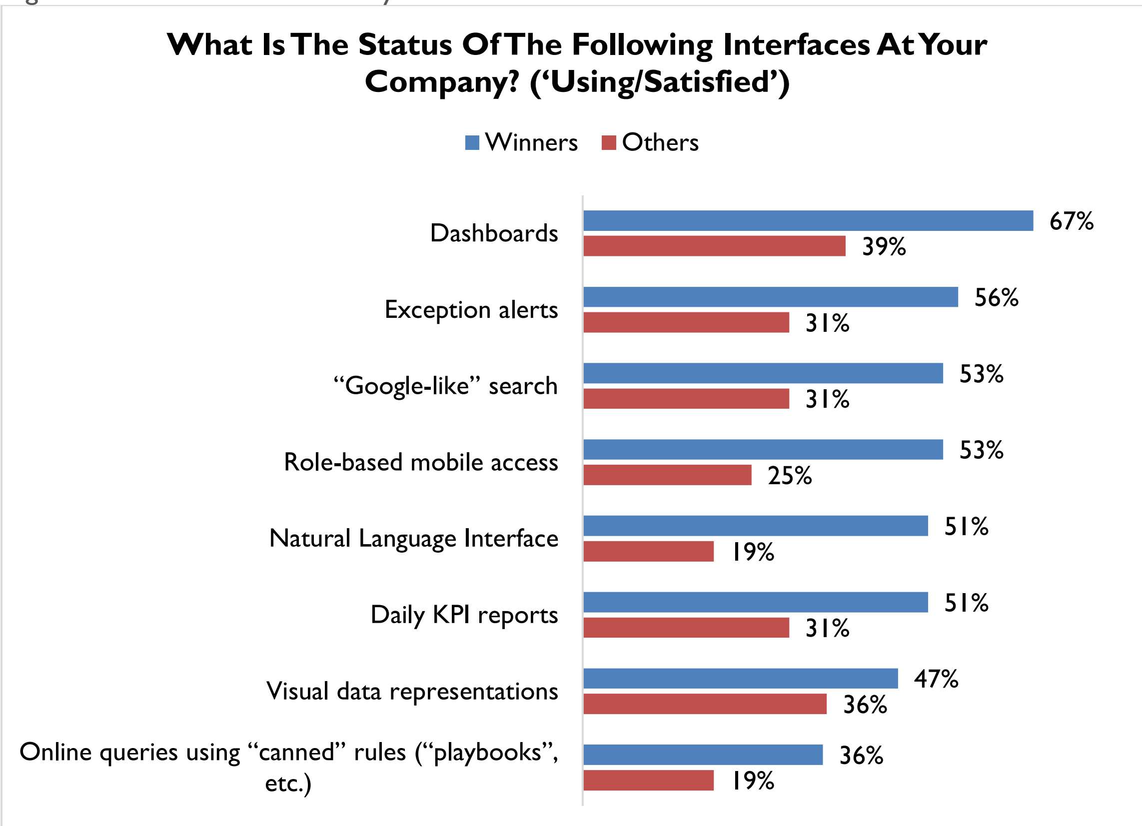


Source: RSR Research, June 2022

What Winners Do Differently

We would be remiss if we didn't examine this list of technologies through the lens of overall sales performance. While Figure 22 reveals quite a bit about how differently Retail Winners engage with the technologies at hand, it can be summed up in one simple word: more (Figure 22).

Figure 22: Winners Already More Reliant



Source: RSR Research, June 2022

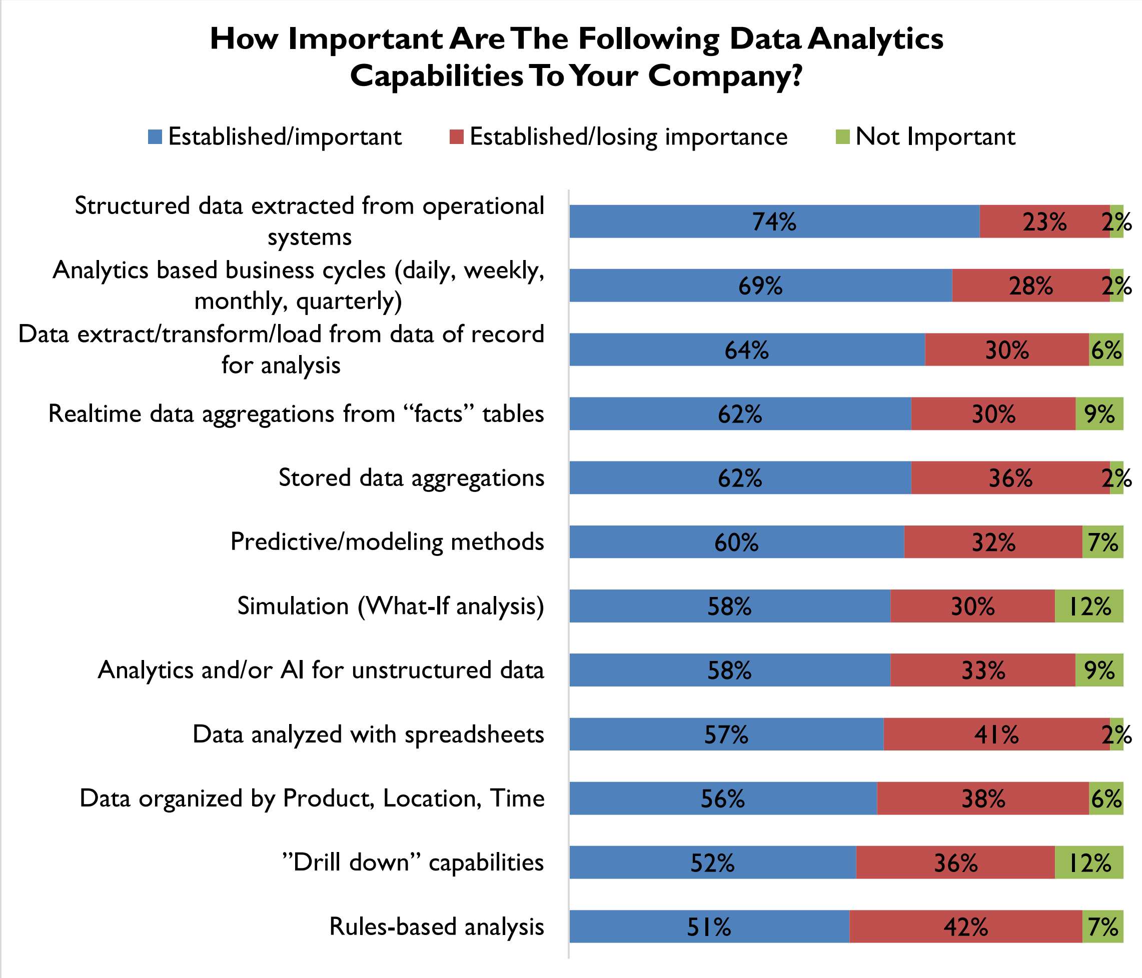
The best performers are already far more reliant on things like natural language interfaces, exception alerting tools, and role-based mobile access, often-times at an implementation rate of more than 2 to 1 over their average and underperforming peers. However, it is the topline finding – that 67% of Retail Winners have *already implemented* and are *thoroughly happy* with the dashboard tools that they've brought on board – that is truly most telling.

Quite simply, they are earlier to the game, more involved in that game, and happier with the intelligence they are getting as a result. They rely on these tools as a *key component* to their daily operations.

Capabilities In Play

We didn't want to just know about interfaces – we also wanted to understand more about the *kind of analytics capabilities* that retailers prize the most. As figure 23 shows, rules-based analysis is on the way out the door – as is data that is analyzed *within* the spreadsheet, itself. We, as no doubt many readers will be, were delighted to see these results. However, we are still a long way away from ringing the death knell for the spreadsheet in retail operations: many current and future analytics tools are either built upon – or meant to have a user interface that looks and feels like – a familiar spreadsheet. Data like this, though, is a step in the right direction.

Figure 23: Priorities, Priorities



Source: RSR Research, June 2022

What *IS* important to retailers as these lower-grade capabilities are phased out? First and foremost, retailers want to make more use of the structured data they can extract from their existing systems. While this may be easier said than done, solutions that can speak intelligently to leveraging the vast amounts of virtually unused data that retailers' existing systems throw off sounds fantastic. And when it's done properly, it is.

The critical component to this process is, of course, the purity of the data being generated by legacy systems. If that data is incomplete, it can lead to incomplete decisions. When it is wrong (as it often is), it can lead to decisions that are completely at odds with the brand's intent.

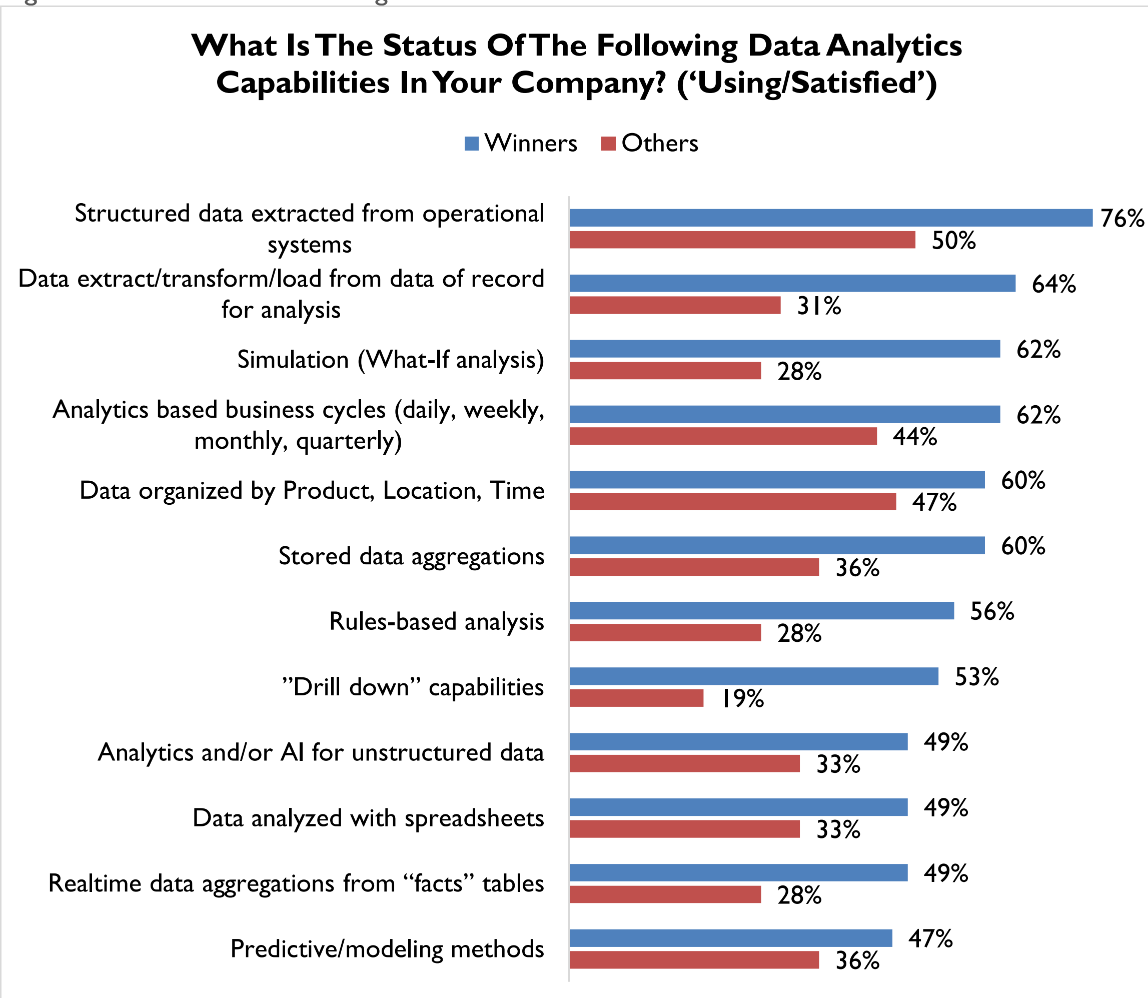
However, for the purposes of this study, we did not offer our respondents choices centered around improving the trustworthiness of data – we operated in a vacuum. The results from Figures 23 (and 24, upcoming) reveal what capabilities retailers value (and will use) when operating under the assumption that the data required to fuel these technologies is *clean*. As a result, this analysis gives us a true picture of their view into what's possible.

And The Band Played On

Just as we saw back in Figure 19 (Data Wins!), the better a retailer's sales performance is, the more likely they are to trust in the power of data. Figure 24 is a clear insight into how Retail Winners trust in the processes they've data-enabled, and it tells a consistent story with all we've seen in this report: Winners have put in more work, trust in the work they've already done, and they have absolutely no plans to stop anytime soon.

They are betting their brands on this being the way of the future.

Figure 24: Winners Betting The Farm



Source: RSR Research, June 2022

Let's now make some suggestions for ways *all* retailers can benefit from Retail Winners' teachings. After all, winning in retail is not an accident.

BOOTstrap Recommendations

Recognize That To Manage Something, It Must Be Measured First

Regardless of the exact words management guru Peter Drucker used in 1956, the basic principle remains intact: businesses that wish to improve must first have accurate insight – *accurate measurements* – into both current and planned processes. Quite simply, as the world speeds up and customers become steadily more demanding, that means retailers increasingly need enhanced KPIs they can rely on. If these measurement tools don't keep pace, all other efforts to improve will fall short.

KPIs are of no purpose if management can't rely on their findings with certainty. Luckily, today's batch of technology solutions offer tremendous insights that - even a few short years ago - seemed like science fiction.

Keep Management's Needs In Mind

Our retail respondents are clear: in order for the impact new KPIs enable to reach maximum effectiveness, they must be presented in a manner that works best for key decision makers. Clean and simple layouts are paramount. Line of business executives are often-times quick to dismiss overly technical data presentations (regardless of how impressive they are or how much work went into them), and therefore dashboards that make huge swaths of complicated data inherently actionable hold the most favor. This is great insight for IT professionals of all stripes and sizes, as well: no matter how complicated an issue may be, its greatest chance of receiving the attention it requires from LOB is by simplifying its overarching message – and the next best action that the data reveals.

Stop Relying On Scorecards

As we mention throughout this report, retailers have long used historical financial and transactional data from operational systems as the basis for planning for the next business cycle. *These measures are scorecards, not real time alerts or calls to action*. In order to become more operationally agile, we strongly advise that retailers look past this iteration of reporting in order to respond to real-time needs as the new marketplace requires. Quite simply, **forensic knowledge is no longer enough, and Retail Winners know this**.

Winners *consistently* show more interest in (and more early-days use of) the tools that help them to respond to the specifics of today's increasingly complex marketplace in real-time. They are fully aware that retailing isn't about to get any easier in the days ahead. As a result, Retail Winners are hot on the trail for technologies that can help them sense and respond to a growing host of disruptions (pandemics, supply chain shortages, product recalls, worker shortages – the list goes on and on) in as close to real-time as possible. Theirs is a lead to follow here.

Play On The Competitive Edge

Whatever your reason for reading this report, there's a good chance you'll need to "sell" someone on just how important improved KPIs are increasingly becoming in the pursuit of providing a better retail shopping experience. Whether that someone is within or outside of your organization is immaterial: what does matter is that these new tools offer competitive advantage. Retailers are, by their very nature, a very competitive group: the fact that most are trying to compete with Amazon for their very survival right now only further solidifies this reality. In order to assure these new tools' capabilities receive the attention they deserve, play on the competitive edge that they provide. The retailer who can sense and respond to "weirdnesses" best has the best chance of standing out from the crowd.

Phase Out Gut-Feel

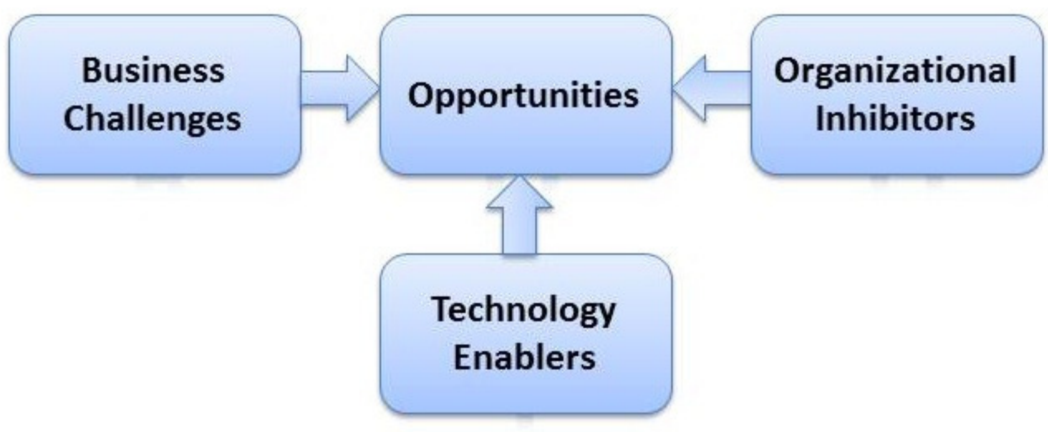
Our results couldn't be any clearer: the better a retailer is already doing, the more likely they are to have virtually every decision-making member of their enterprise make those decisions based *primarily on data*. the exception of merchandising decisions (where gut-feel still plays a vital and somewhat artistic role, particularly in fashion), Retail Winners go where the data tells them to go. They trust it – and they are reaping the benefits of that trust at the sales till. You should, too.

Appendix A: The BOOT Methodology©

The BOOT Methodology© is designed to reveal and prioritize the following:

- **Business Challenges** – Retailers of all shapes and sizes face significant **external** challenges. These issues provide a business context for the subject being discussed and drive decision-making across the enterprise.
- **Opportunities** – Every challenge brings with it a set of opportunities, or ways to change and overcome that challenge. **The ways retailers turn business challenges into opportunities often define the difference between Winners and "also-rans."** Within the BOOT, we can also identify opportunities missed – and describe leading edge models we believe drive success.
- **Organizational Inhibitors** – Even as enterprises find opportunities to overcome their external challenges, they may find **internal** organizational inhibitors that keep them from executing on their vision. Opportunities can be found to overcome these inhibitors as well. Winning Retailers understand their organizational inhibitors and find creative, effective ways to overcome them.
- **Technology Enablers** – If a company can overcome its organizational inhibitors it can use technology as an enabler to take advantage of the opportunities it identifies. Retail Winners are most adept at judiciously and effectively using these enablers, often far earlier than their peers.

A graphical depiction of the BOOT Methodology© follows:



Appendix B: About Our Sponsors

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order management. accelerated.

Fluent Commerce is a global software company focused on distributed order management. Organizations rely on the cloud native, highly flexible and fully scalable distributed order management platform to transform fulfillment complexity into a competitive advantage. Fluent Order Management provides accurate and near real-time inventory availability across multiple locations, order orchestration, fulfillment optimization, fulfillment location management, in-store pick and pack, customer service, and reporting. This enables retailers and brands to fulfil orders profitably while delivering the best customer experience possible.

Fluent Commerce works with organizations such as JD Sports, L'Oréal, Ted Baker, LVMH and Dulux. Learn more at **fluentcommerce.com**.

Appendix C: About RSR Research

Retail Systems Research ("RSR") is the only research company run by retailers for the retail industry. RSR provides insight into business and technology challenges facing the extended retail industry, providing thought leadership and advice on navigating these challenges for specific companies and the industry at large. We do this by:

- **Identifying information** that helps retailers and their trading partners to build more efficient and profitable businesses;
- **Identifying industry issues** that solutions providers must address to be relevant in the extended retail industry;
- **Providing insight and analysis** about a broad spectrum of issues and trends in the Extended Retail Industry.