

# Customer-Centric Merchandising for Retail

Gaining Deep Consumer Insight to Provide a Personalized Shopping Experience



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The amount of choices shoppers have today about when and where to shop is almost limitless. Not only are there unlimited choices in engagement, but shoppers are also more knowledgeable about products and offerings than ever before. This knowledge is at their fingertips in real time. Because of this new and evolving paradigm, it is even more important for retailers to infuse customer information into the merchandising process by using a technology platform that enables insight and action in real time.



# Innovating Quickly with Insight and Action

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When retailers reengineer their business processes using a sophisticated technology platform, they can incorporate customer-rich information into pricing and promotional activities. Integration of this information is key. Retailers gain a significant competitive advantage when they can integrate knowledge about consumers into their processes and adapt to change in real time.

Retailers have clearly identified the inability to innovate quickly with price, promotion, and customer preferences as a major hurdle to their success. But how does a retailer clear this hurdle? The answer lies in the ability to manage high volumes of consumer data in real time and integrate predictive insight with mobile-compatible processes. Meanwhile, utilizing customer information in assortment, pricing, targeted promotions, and marketing can increase top-line growth and expand customer loyalty.

## **CUSTOMER-FOCUSED MERCHANTS**

The fundamentals of merchandising have been turned upside down. Showrooming, online price comparisons, rapidly changing assortments, and inconsistent brand loyalty are the new normal for retailers. Although these next-generation challenges are apparent, some of the most fervent practitioners of consumer-centric processes have difficulty adapting to rapidly changing trends.

Profits and loyalty can grow through effective and targeted offers and assortments. Understanding price sensitivity and competitive transparency leads to increased profits and strengthens loyalty. Real-time technology is the key to this growth and loyalty. Capturing information from the rapidly changing consumer, building a library of actionable insights, and identifying trends in real time will allow retailers to surpass their competition.

## **BUILDING THE BRAND THROUGH THE CUSTOMER**

Capturing the attention of the consumer of today and tomorrow is also critically important. By developing marketing and merchandising plans utilizing a mobile strategy at the touch point of consumers, retailers can empower store associates to react in real time to the actions of each customer.

In order to build your brand through your customer, you must employ traditional analysis techniques tailored with two additional concepts. The first concept is analyzing customer data to predict behavior. This enables retailers to identify and react to change before it makes a negative impact on revenue and profit numbers. The second concept is ensuring that the proper technology platform is in place to support delivery of customer insight in real time.



Effective promotions are also fundamental; and they must be fully integrated into marketing campaigns and resonate with customers. The ability to harness the power of the customers' evolving demands is essential. Being able to instantaneously send a relevant offer to a customer after he or she has just scanned an item has been shown to materially boost response rates.

Through customer insight, retailers can execute more effectively and scale assortment plans that build with the knowledge of customer preferences. These perceptive and compelling tactics can ensure that assortment and financial plans exceed revenue expectations. Getting the mix right is also very important. Knowing customers' key value items at the point of purchase is key to building a brand. Shoppers are loyal to retailers that cater to their needs and achieve the proper mix, whether it be price consistencies and transparencies, merchandise assortment, or lifestyle preferences.

### **SAP® INNOVATIONS**

Leading retailers are set apart by taking a customer-centric approach to merchandising that includes real-time analysis and execution

capabilities. Consumers are ever-changing both in preferences and in demographics. It is imperative that retailers efficiently analyze consumers in order to predict their actions through all of their engagement channels.

SAP® solutions enable the power of in-memory analysis in real time. Analytics help support these objectives both inside and outside the retail walls. Scaling to plan assortments and using store clusters based upon not only location but also behavior patterns are two ways in which analytics drives success for retailers.

Mobile access for both employees and customers is also helping retailers differentiate. Providing sales associates with mobile on-the-floor access to product information, customer preferences, and customer behavior brings a new level of interaction with the customer. This can be put into practice by providing promotional offers to shoppers based on their past and most recent purchases and delivering them to their smartphones. These offers help drive sales and improve customer loyalty.

Customers have greater access to technology and information than ever before and, as a result, demand more from retailers.



# Customer-Centric Merchandising

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It is essential to integrate a customer-centric framework into merchandising practices for maximum advantage.

**Gain customer insight** – Take advantage of advanced analytic techniques to understand and adapt to changing customer behavior.

**Plan assortments effectively** – Use advanced technology and applications to plan assortments by including predictive insights.

**Market and promote better** – Customer offers must be timely, relevant, and marketing endorsed. It is essential to price and promote product that appeals to customers.

**Deliver targeted offers** – Understand local and global demand in order to create pricing and promotions that deliver higher market share and customer loyalty.

**Understand the customer** – It is well known that consumers shop in numerous ways and channels; however, predicting each behavior and interaction is difficult to do. Retailers can retain customers and increase transactions if they can better understand and predict changing customer behavior.

## UNDERSTANDING CUSTOMER BEHAVIOR

Predictive analytics software from SAP enables retailers to capture the efficacy of marketing activity on a single platform. Retailers can gain greater insight from past behavior and delve into predictive influential behaviors by using new types of analysis. Location, demographics, lifestyle, ethnicity, and buying behavior can be used to better understand and more accurately target customers.

Not only can a full suite of reporting metrics be provided, such as inventory on hand, same-store sales, out-of-stocks, and promotional activity, but it can also be provided to store associates through a handheld or mobile device in real time. This heightened insight can increase the time associates spend on the store floor assisting customers and identifying their preferences.

Capturing information from the rapidly changing consumer, building a library of actionable insights, and identifying trends in real time will allow retailers to surpass their competition.



### OPTIMIZING ASSORTMENTS

Optimized assortment planning is a new approach that incorporates real-time responses and predictive insight to address customer demands at a local level. Retailers can quickly change merchandise and assortments based on regional trends and preferences.

Merchandise planning is a balancing act. Retailers must understand both the science of sales and inventory management and the art of identifying the products shoppers need. This holistic approach to the merchandising lifecycle highlights the specific demands of shoppers and the positioning of competitors.

Planning is also crucial. Integrating planning functions and real-time performance metrics allows retailers to manage the most controllable investment: merchandise inventory. A proper balance between finance, merchandising, store operations, and trading partners ensures that all parties are executing with common objectives.

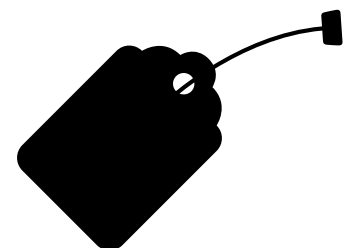
### CREATING ENTICING MARKETING

Customers have greater access to technology and information than ever before and, as a result, demand more from retailers. Retailers must be up to the challenge by designing innovative marketing campaigns that are appealing to individual customers and drive loyalty.

Information in the marketplace is readily available to customers through online and smartphone devices. As a result, customers are more receptive to promotions that target their needs and lifestyles. Customer expectations include new and innovative loyalty programs and flexible rewards. These encourage larger baskets.

Marketing campaigns must be more strategic than ever as a result of the all-knowing customer. Campaigns must be relevant and targeted to specific customer needs. Retaining those customers requires alignment with marketing and merchandising to ensure that effective pricing and promotions are executed within the store and that they appeal to profitable shoppers.

Leading retailers are set apart by taking a customer-centric approach to merchandising that includes real-time analysis and execution capabilities.

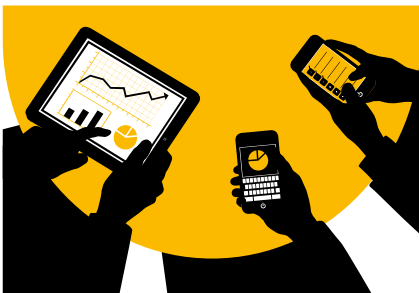


## PERFECTING PROMOTIONS

Greater market share and increased customer loyalty are driven by a balancing act of omnichannel engagement, localized pricing, and individualized promotion practices. Retailers must ensure that the customers and their behavior are in the forefront of all decisions. Creating and communicating targeted offers to customers is essential to winning in the marketplace.

Knowledge of real-time preferences is also indispensable. Long-term customer behavior is more difficult to forecast; therefore, the ability to adapt and understand current and future preferences is paramount. As a result, it is vital to provide targeted and appealing offerings to customers through multiple channels.

Retailers can be successful in the marketplace by reengineering processes, incorporating customer-rich information into pricing and promotional activities. Capturing the attention and loyalty of this rapidly changing customer and executing in real time will keep retailers ahead of their competition.



### LEARN MORE

To find out more about how SAP® solutions can help your organization take a more customer-centric approach to merchandising through real-time analysis and execution capabilities, please call your SAP representative or visit us at [www.sap.com/retail](http://www.sap.com/retail).





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