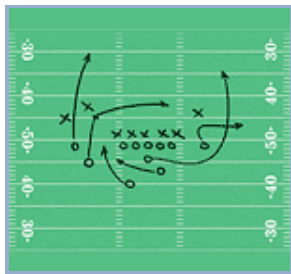


The Retail Analytics Playbook

by [Bill Robinson](#), Senior Advisor, [QuantiSense](#)



Retailers can learn a lot from football. It's not only the intensity of their play and the quality of preparation that is so impressive—what I admire most is their playbook. A team's playbook empowers its players to best respond to the situation on the field. Similarly, retailers need to develop their playbooks in order to fully leverage their assets and respond powerfully to adversity and opportunity.

It is curious that both football and specialty retail took form about 150 years ago, caught hold in the early 1900s, then powered their way to today's dominance. American culture

would be very different without both. Each weekend, tens of millions are shopping on Saturdays and watching football on TV on Sundays. Yet among the two, only football has learned that the best strategy for success is to employ highly trained specialists to perform intricate maneuvers in response to the maneuvers of their opponents.

In the huddle, when the quarterback gathers his ten teammates, what does he ponder before calling a play and a cadence? His team's position on the field, quality and health of his players, amount of time left, and the likelihood that his opponent will thwart his efforts. He processes all of this information, then calls for action. Upon the snap of the ball, each player performs his responsibility for play execution according to his role. If the play goes well, they learn from the competitive advantage to see if it can be sustained. If not, they progressively take more dramatic and ultimately desperate measures ("third and long," "4th and goal," "two-minute drill," "on-side kick") until the game is won or lost.

"How do you coordinate a large team to achieve a single goal better than the competition? Do what football teams do—develop a Playbook, and run the plays." --Jeff Buck, CEO, QuantiSense

This remarkable agility and coordinated activity is made possible by a thick book called the Playbook that every player receives at the beginning of the season. It anticipates every situation the team is likely to encounter and is designed to exploit every competitive advantage. During the season, the coach and team constantly modify the Playbook as they learn more about their strengths and weaknesses.

In this issue of "Retailing with Insight," we focus on how retailers can develop the same kind of Playbook to help succeed against the competition.

The Retail Playbook should look at each merchandise season much like a football game with four quarters: pre-season, early season, mid-season, and seasonal transition or end-of-season.

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About QuantiSense

QuantiSense is the leading provider of business intelligence and data warehousing applications exclusively for specialty retailers. The company was formed in 2001 by a team of experienced data warehousing professionals who recognized the need for a retail-specific data warehousing and BI solution that was low risk, cost effective and could be quickly implemented.



Who Creates the Playbook?

Like football, the Retail Playbook is a collaborative effort from management (coaches) covering all disciplines – merchandising, store operations, finance, logistics, marketing and IT. IT plays a vital role, much like scouting in football, because the IT department owns all of the performance information. The challenge for IT, and QuantiSense's reason for existence, is to present the information in the right context so that users can take action—otherwise, what is the point of having the information in the first place? Without having a Playbook and an agile Business Intelligence infrastructure, it is doubtful that a retailer can successfully compete against those that do.

The mention of a Retail Playbook raises several questions: Who is the quarterback? Who calls the plays? Too often, retailers silo themselves into independent, insufficiently coordinated units such as Merchandise, Operations, Supply Chain, Planning, etc. The Playbook offers the possibility of an integrated and powerful response under a team leader. In retail, the team leader can be the buyer, the category manager or the planner. In narrow-mix specialty store chains, it can be the COO. Most importantly, the team leader must be empowered to call for action across organizational lines. All specialists must then follow through with their own well-defined roles and responsibilities. Otherwise, a sequence of broken plays will surely ruin your season.

Pre-Season

A highly-evolved Playbook segments its plays into four stages or quarters: pre-season, early season, mid-season, and end of season. In pre-season, the Playbook is enriched with learning from the prior seasons. It guides planners through the information goldmine of historical performance, informing them of danger signs and opportunities. In the retail pre-season, you'll be looking at:

- In-stock levels – by week, category, store
- Lost sales due to key item out-of-stocks
- Early shipments
- Competitive opening
- Cannibalization from new stores
- Finding the right mix (geography, price, brand)
- Where assortments were too broad or thin
- Correct store grading
- Which promotions performed best
- Which stores were well-staffed in relation to sales and conversion
- Which customer groups were most responsive

The answers to these questions will enable more insightful and knowledgeable plans. They tell the planners how best to use floor and wall space, and inform the buyer how and when to alter the brand mix, such as where assortments should be thinned or broadened and where prices need to adjust.

Without a comprehensive pre-season Playbook, retailers tend to repeat the mistakes of the past. Eventually, these mistakes can compound to such an extent that retailers may place themselves at risk of abandoning the lessons of the past that can help inform and guide their strategies.

Early Season

During the early season, good football teams—and good retailers—distinguish themselves.

The early-season Playbook pulls relevant information from the data warehouse and presents answers to the following questions:

- Which items are early winners – both expected and surprising?
- Which are the bummers?
- Which assortments will sell out early?
- Which orders do not cover demand?
- Which assortments are too thin, and which are too broad?

Just as in a football game, early performance dictates the pace and style of the game as a whole. Strong sales should stimulate an upgrade in the forecast and should capture more space and marketing attention. If sales volume is close to plan, it is wise to hold field position. With disappointing performance, you are third and long and will be forced to punt without a powerful promotion to get the game back on track.

Mid-Season

Mid-season, like mid-game, is when the pressure is most intense, and when most retailers win or lose.

- Which high-demand merchandise is selling out?
- Which stores are chronically understaffed?
- Which suppliers are challenged to fill orders?
- Which items are clogging the aisles and muddying the order flow?

Sometimes, it may be necessary—just as in a football game—to change the whole game plan. At this point, it is vital to measure the relative contribution of each key merchandising dimension: brand, price, classification, region. What is the contribution of each to sales? To inventory? They must be aligned. Otherwise, your order mix is an order mess.

As is the case with a troubled football team, mid-season can be the time to introduce new players and plays, to inject more energy and vitality into the team. It is also vital to replenish stores with the greatest need from your order flow and distribution center reserve. Hot selling orders must be expedited. Others should be cancelled or delayed. It is also time to Cut and Run (one of the classic QuantiSense Plays found in the Buyer Playbook) as early as possible for items that will not sell at full price.

End of Game

Toward the end of the season in both retail and football, priorities shift dramatically. During this phase, retailers evaluate questions such as:

- When to stop shipping to bloated stores?
- When will seasonal goods sell below acceptable levels?
- When is it time to liquidate?
- When should plan-o-grams expire?

During the end of the season, retailers often bring in special plays in a last effort to save the game: vendor markdown allowance, co-op advertising, vendor returns, and spectacular promotions.

It is just as important to know what merchandise can transition to the new season, and what must be packed away. Care must be taken to not markdown items unnecessarily. Too many retailers, just like losing football teams, run out the clock.

However, for winning teams and retailers that have stayed at the top of their game all season – and who have followed their Playbooks at every level of the organization – the

end of the season can be a time for celebration, even as they immediately begin looking ahead to another successful season.

To learn more about how QuantiSense Playbooks can transform the decision-making of your top people into best practices throughout your organization, drop us a line at retailinsight@quantisense.com

About the Author:

As a Senior Advisor and Strategist for [QuantiSense](#) Bill draws from his 35 years of experience in providing technology-based solutions to retailers. Prior to joining QuantiSense, Bill served as Vice President of Marketing for STS Systems, a leading provider of retail technology solutions with more than 300 clients. Throughout his career Bill pioneered successful applications in all areas of retailing including Point of Sale, Business Intelligence, and Supply Chain Management. Bill's passion for the retail industry guides QuantiSense in delivering results-oriented business intelligence and data warehousing solutions for retail organizations. Bill is based in Baltimore, MD, where he pursues his passions of jazz piano, gardening and golf. Bill is also a Professor of Marketing at Towson University in Towson, MD.

Questions?

Questions, comments, or thoughts about our newsletter? Contact Bill and the rest of the QuantiSense team at retailinsight@quantisense.com.