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Retailers, Experts Cite Challenges to Implementing Big Data Analytics

by **Mindy Charski (http://data-informed.com/author/mindy-charski/)** | October 4, 2012 10:50 am | 0 Comments

DALLAS—Gathering customer data isn't a problem for Tuesday Morning (http://www.tuesdaymorning.com/index.jsp). The company has access to information from sources like its new loyalty program, its new e-commerce platform, and social networks like Facebook and Pinterest.

But Grant Anderson, the company's vice president of IT merchandising systems, said that converging all this data is the next big challenge for the deep discount, off-price retailer. "Because the loyalty card is so new to us, we're really trying to get our arms around how we're going to use that information while at the same time, I know we've also got to keep an ear to what's going on in the social area," Anderson said. "We've got to take some baby steps first."

Improved analytics have already produced actionable insights, however. The Dallas-based company learned it needed to offer better products on its website. "We addressed it and sales went up," Anderson said.

Anderson was just one of the speakers at a group of retail and technology professionals gathered here Oct. 1 who shared a common message: Yes, harnessing the potential of big data can reap rewards, but doing so won't come easy.

"Most retailers continue to struggle with applying big data processes to data sets for business outcomes," Gartner analyst Jeff Roster (http://www.gartner.com/AnalystBiography?authorId=12185) told attendees. And yet figuring it all out could become an imperative, he added: "We're on a continuum," Roster said, "This is not going away."

The conference was organized by the Association for Retail Technology Standards (ARTS) (http://www.nrf-arts.org/), which is the National Retail Federation (http://www.nrf.com/)'s technology standards division. Attending were 80 technology providers and IT professionals in the retail industry.

ARTS, which has more than 200 members in 28 countries, serves to help retailers implement new technologies by offering education and resources like requests for proposals that can be customized for companies seeking technology vendors. Anderson explained that Tuesday Morning, for instance, used many best practices from ARTS to implement its new e-commerce and allocation systems.

Attendance at the gathering was a testament to the growing interest in big data technologies and implementations. Nearly 50 percent of attendees were new to the conference, according to ARTS Director Emeritus Richard Mader. Participants also helped illustrate another reality: When Pier 1 Imports (http://www.pier1.com/)'s chief information officer, Andrew Laudato, asked the audience who is doing real-time inventory, not a single hand went up.

That didn't surprise Tim Hood (http://events.nrf.com/ARTS12/public

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/SpeakerDetails.aspx?FromPage=Calendar.aspx%20&ContactID=2197&SortMenu=104001), SAP AG's chief solution architect for retail. "I've talked to leading retailers globally and many of them are in the same position—they do not know what inventory is where, and it's 100 percent the key to multi-channel, omni-channel commerce," he said in an interview. "It's a foundation, and most retailers can't do it today."

The Change Management Challenge
Just investing in the right hardware and software won't solve the dilemma. "Even if you had all the technology we still need to make changes in [business] processes," he said. To illustrate the importance of both new business processes and the necessity of getting employee buy-in of those procedures, Hood referenced an example from Laudato's remarks about consumers purchasing candles.

"At the checkout, someone rings up a red candle, a blue candle and a yellow candle and the operator just scans the red one three times because it's easier. And right there—poof!—you can have the best systems in the world tracking everything down to the nth detail and that person subverted it," Hood said. "Now we think there are two less red candles than there should be and there's a yellow and blue floating around the store."

Another problem: Hood said the large majority of retailers are big data "laggards" because the information they generate disappears—perhaps it's aggregated and the details are lost since systems couldn't handle it historically. Or, maybe a warehouse system fails to talk with a sales system, he said, and because the data doesn't come together, businesses can't use it for meaningful analytics.

Hood said he doesn't think organizations will quickly overcome such hurdles. "It takes a long time for this kind of change to happen and IT investments have to be carefully made and tracked, so it is a challenge to renovate a whole infrastructure," Hood said.
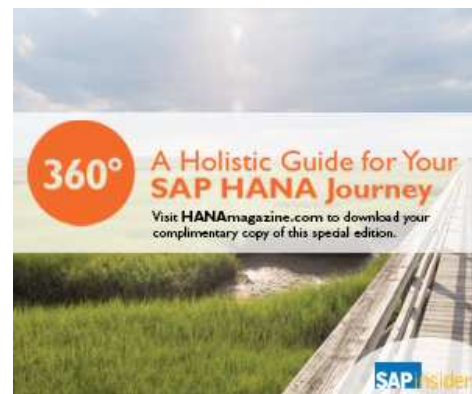
Adds Richard Halter, ARTS's chief technology architect, "A lot of [retailers] are still trying to just manage what they've got and that's hard to do—it's like turning a big ship. It takes a long time to do it."

Nonetheless, Gartner's Roster expects retailers eventually will be among the leading practitioners in this field. He said his research shows many companies are already experimenting with unstructured information from multiple sources. About 29 percent of retailers who responded to a Gartner survey indicated their organization has "already invested in technology specifically designed to address the big data challenge." Twelve percent said they would start this year and 29 percent said they would begin in two years.

Roster challenged conference participants to get in front of big data. "Be the expert in your organization, ask what insights would change the way you run your business. Understand the range of business analytics capabilities available today and more importantly, coming tomorrow," Roster said. "The rate of innovation around analytics is off the charts."

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