

# How Retailers Are Operationalizing Analytics With New KPIs

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RSR Partners

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# Research Overview

- ***“What gets measured gets managed”***. That is the justification for the implementation of Key Performance Indicators (“KPIs”) across industries.
- Retail is a famously results-driven industry and one of its oldest maxims is ***“whatever it takes”***. 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 cry out for ***process optimization***, predicated on the analysis of process metrics.
- Traditional retail performance measures are a look at business that has already been conducted. ***They are scorecards, not real time alerts or calls to action.***
- ***The purpose of this study*** was 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.

# Survey Respondent Characteristics

RSR conducted an online survey from Spring of 2022 and received answers from 81 qualified retail respondents.

- By Revenue (2021):

Less than \$250 million	<i>Excluded</i>
\$250 million - \$499 million	15%
\$500 million - \$999 million	33%
\$1Billion to \$5 Billion	37%
Over \$5 Billion	15%

- By Performance:

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

- By Vertical:

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%

# Key Learnings

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.

For over 70% of retailers, executives have access to *dashboards* so that they can know at a glance what's going on with the business, and over 50% of retailers have analysts that use **complex business analytical systems** to compare performance to plan.

Less than one-quarter of the retailers indicate that *operational processes are informed with real time alerts* that can help retailers take immediate corrective actions.

**Competitors' agile response** to changes in supply and demand is the #1 external challenge that causes retailers to consider new analytics and KPIs.

Retailers identify that their top opportunity is **scenario modeling**, to help them to improve their reactions to supply chain shocks, make it possible to optimize supply chain and selling processes to enable quick reactions to sudden shifts in consumer demand.

1st Qtr	2nd Qtr
A	A
B+	C+
B+	B+
B	D+
B+	C
B+	C
B	C
B	B+



# The Difference Between A Metric & A KPI



*Lots Of Metrics!*



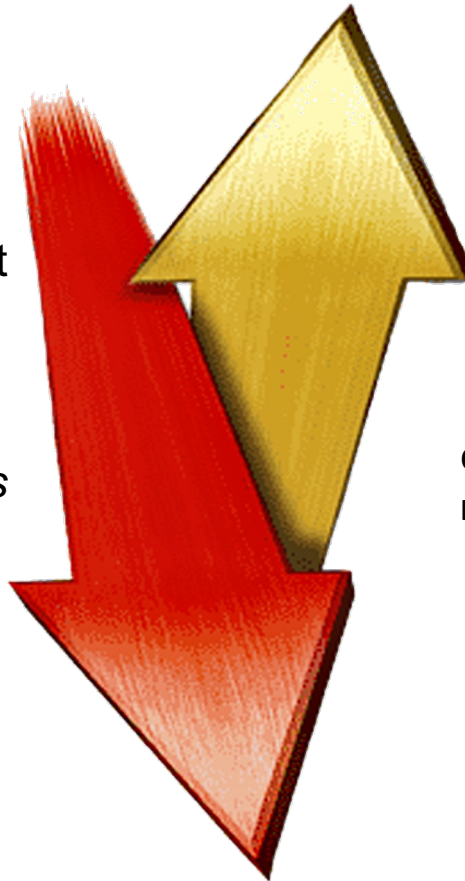
*The Immediately Important Ones!*

# Something Old/Something New

## ***Operational Metrics Are Important To Retailers***

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’*” ...

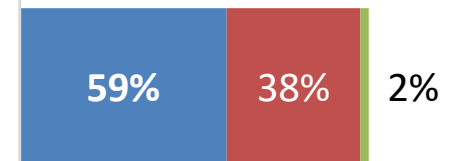
But old practices aren't necessarily going away!



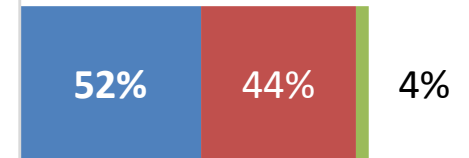
### **Agree Or Disagree?**

■ Strongly Agree ■ Agree ■ Disagree

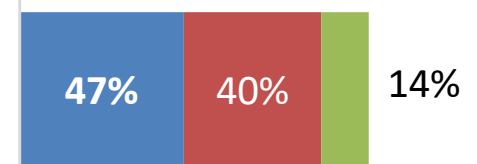
The executive team needs performance reports that are “short and sweet”



Management is constantly looking for new ways to measure performance

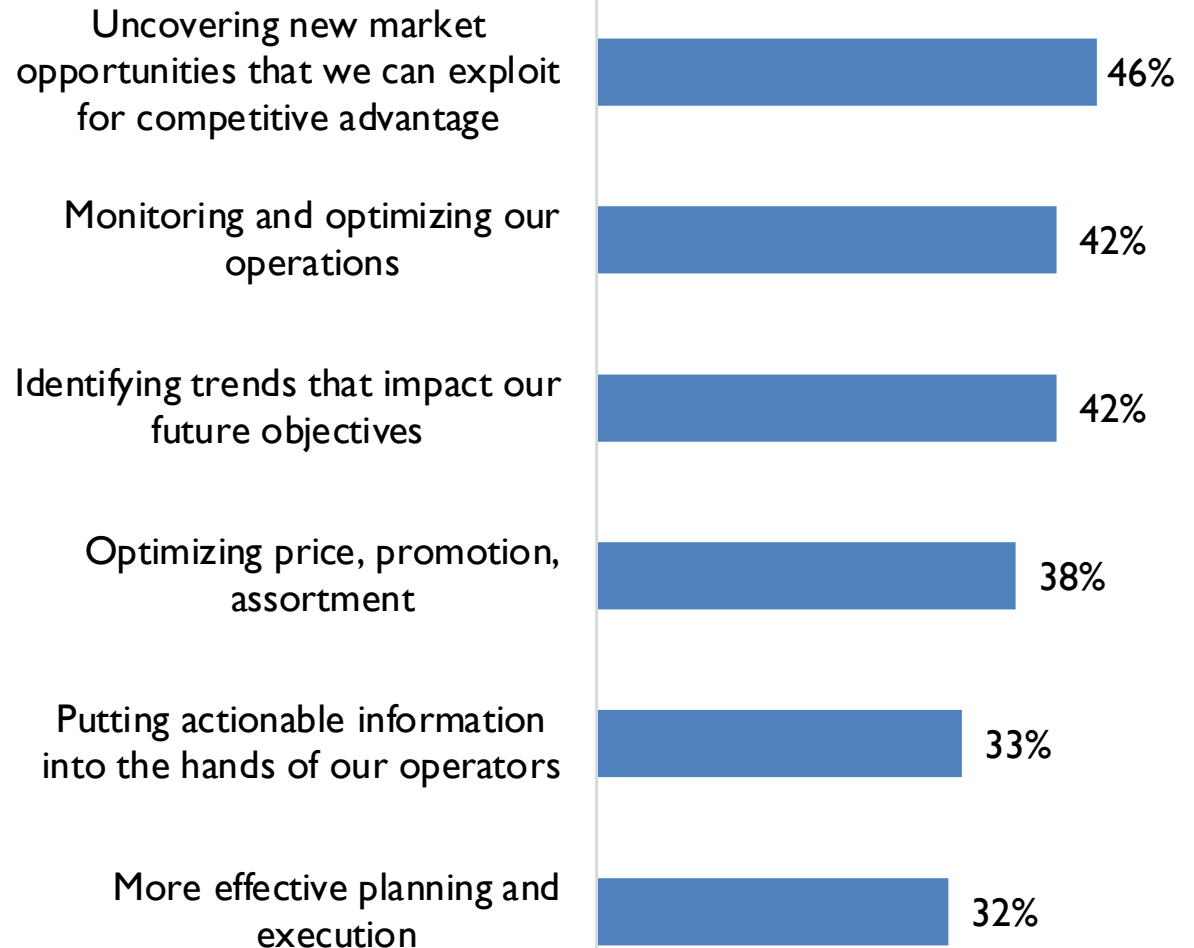


Spreadsheets will continue to be the tool of choice for management



# A Wealth Of Opportunities

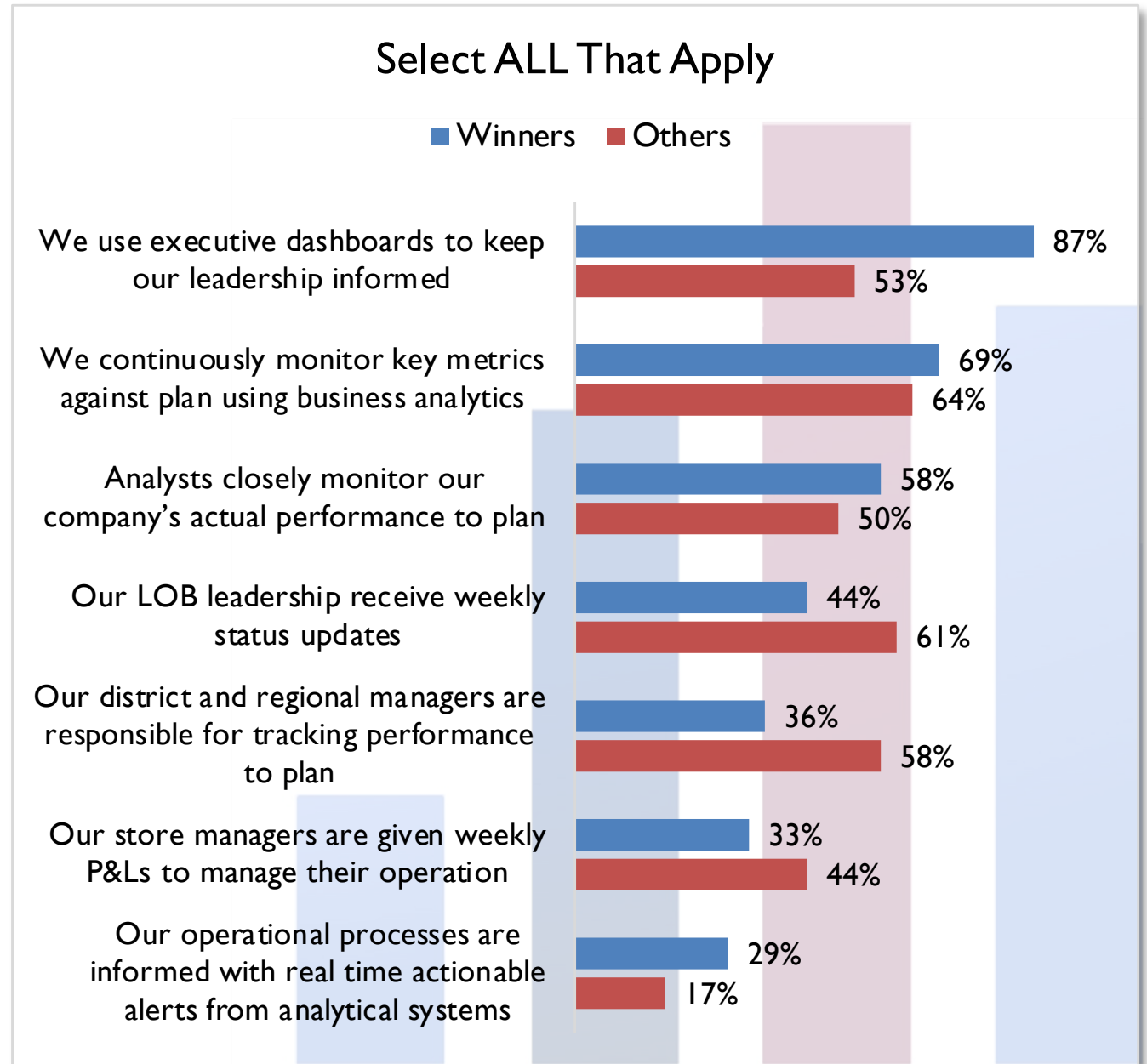
## TOP-3 Capabilities That Would Benefit From Improved Analytics And KPI's



# Driven From The Top

***Winners win by aggressively exploiting information to improve performance...***

***And that POV is driven by the company's leadership.***







Traveling At The Speed Of The Consumer  
**Business Challenges**

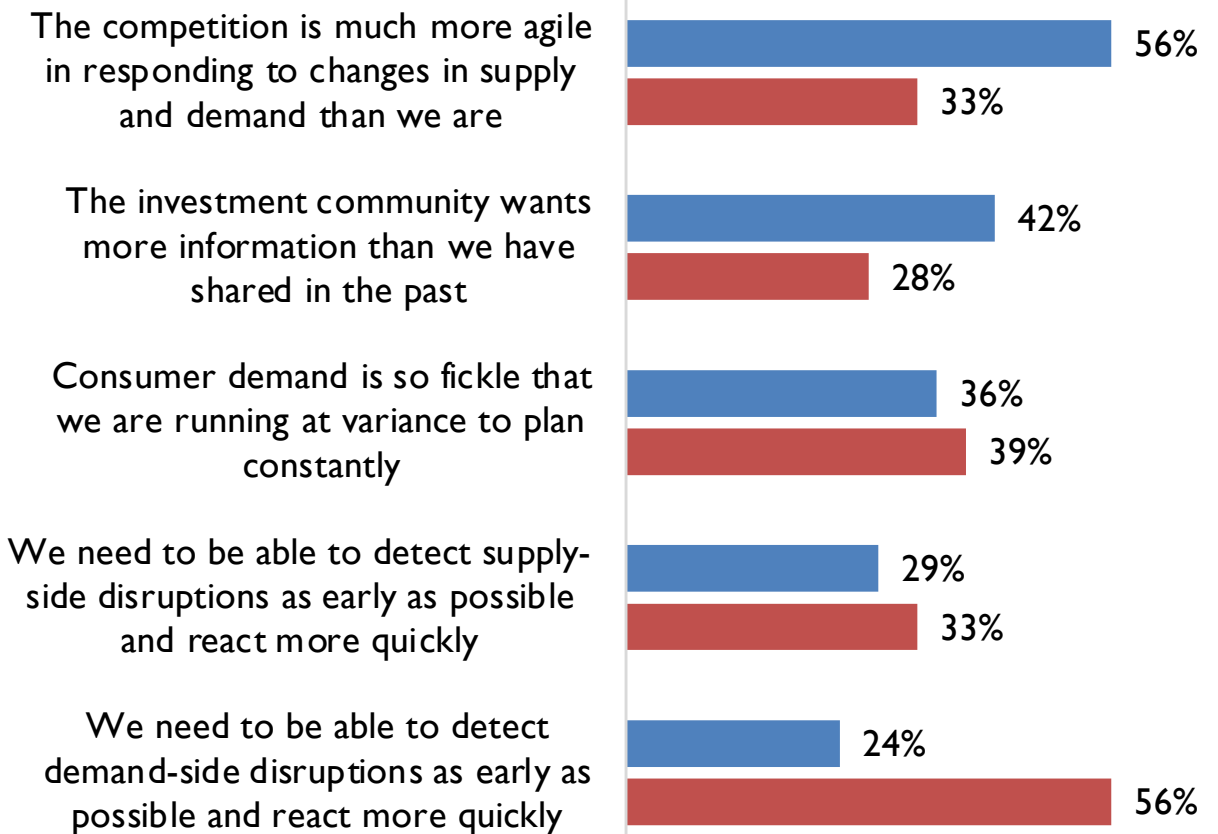
# Different Perspectives!

*Winners Worry That Competitors Are More Agile/ Others Worry That Consumers Are More Fickle*

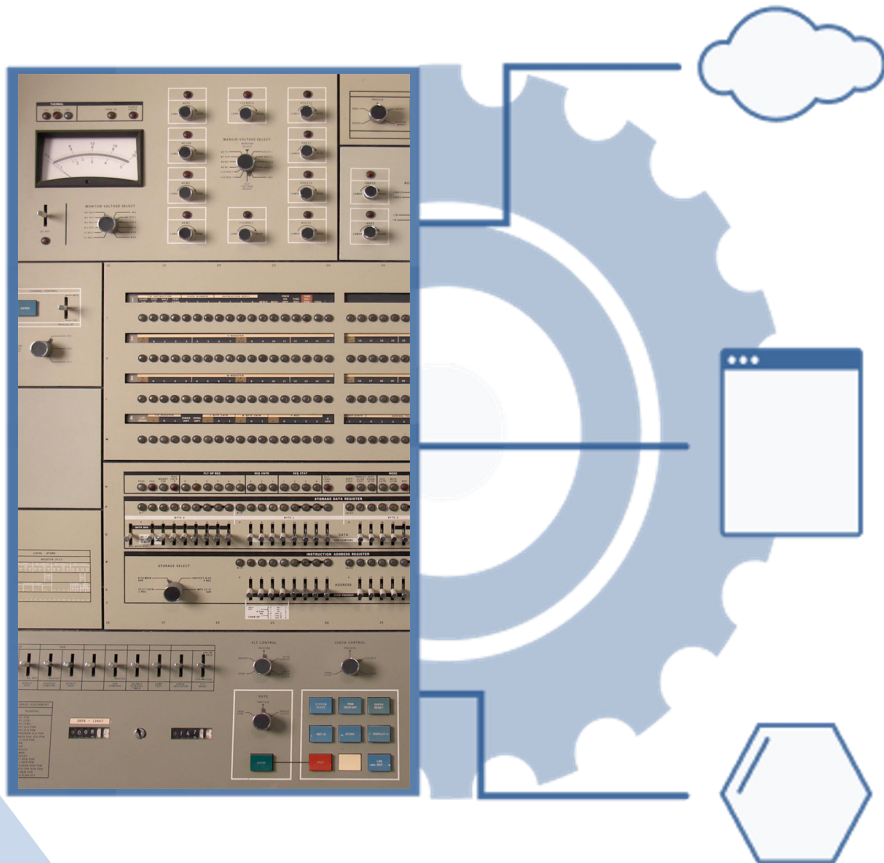


## TOP THREE (3) Business Challenges That Create Interest In Expanding The Use Of Analytics & KPI's

■ Winners ■ Others



# What Got You Here Won't Get You Where You're Going



## Operational Challenges Associated With Current KPI's

- Big Problem
- Somewhat of a Problem
- Not Much of a Problem

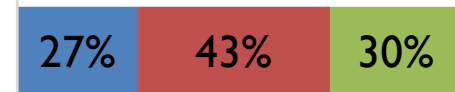
Data is siloed in disparate systems



“Dirty” and/or incomplete data



We have too many versions of “the truth”





# Summing Up The Business Challenges

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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 that concern isn't dampening retailers' desire for greater agility.







Measuring & Optimizing Processes

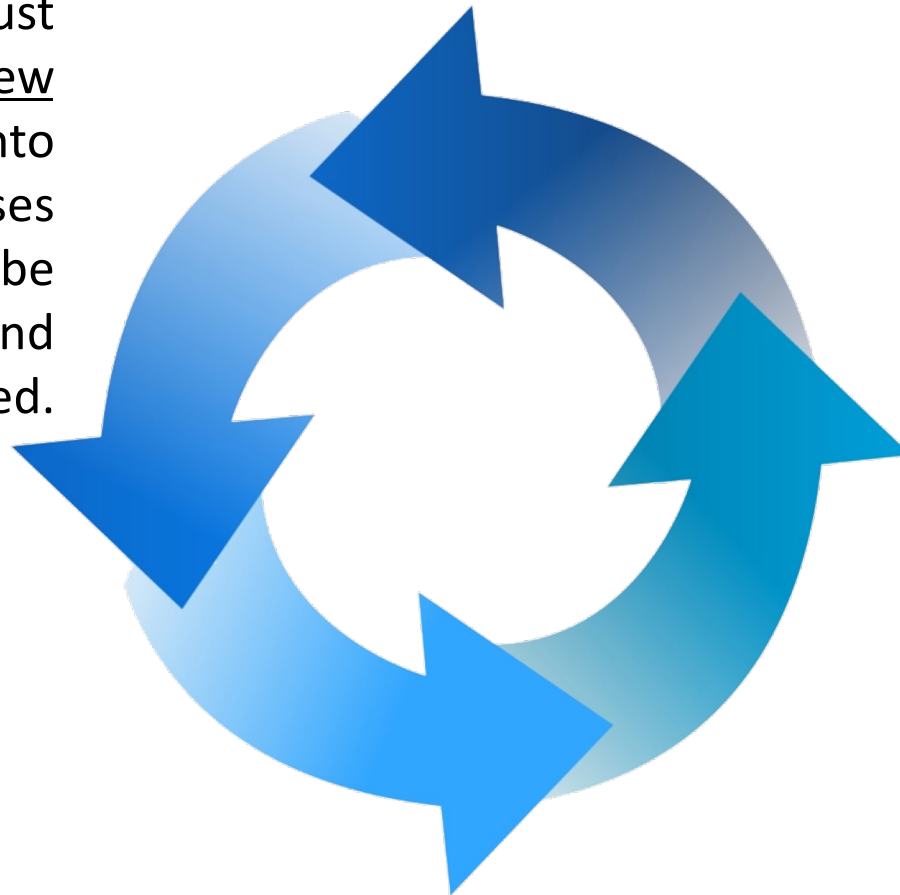
# Opportunities



# ***Operationalizing analytics is a reiterative process...***



**First**, retailers must implement new measurements into operational processes so that they can be analyzed and optimized.

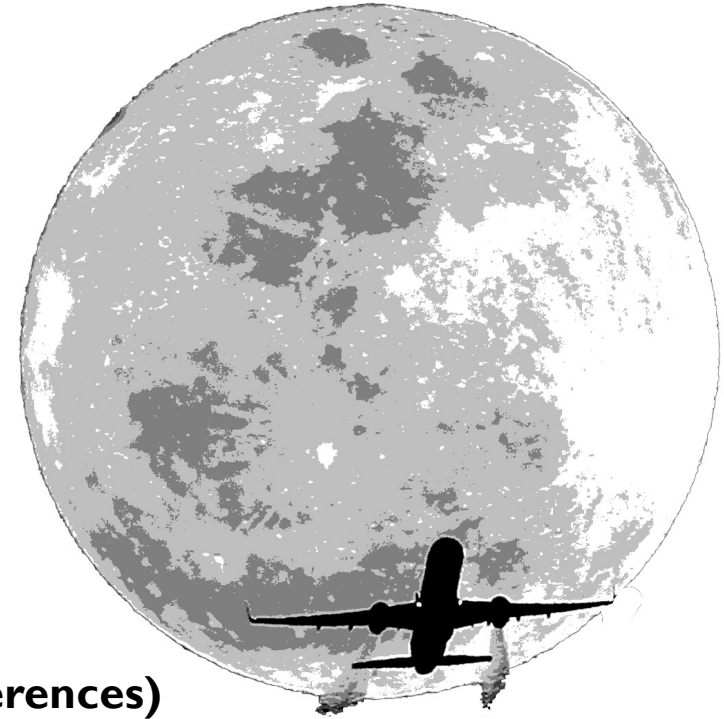


**Then**, real time alerts derived from analytics can be inserted into processes so that immediate corrective decisions can be made, *even to the point of automating certain decisions.*

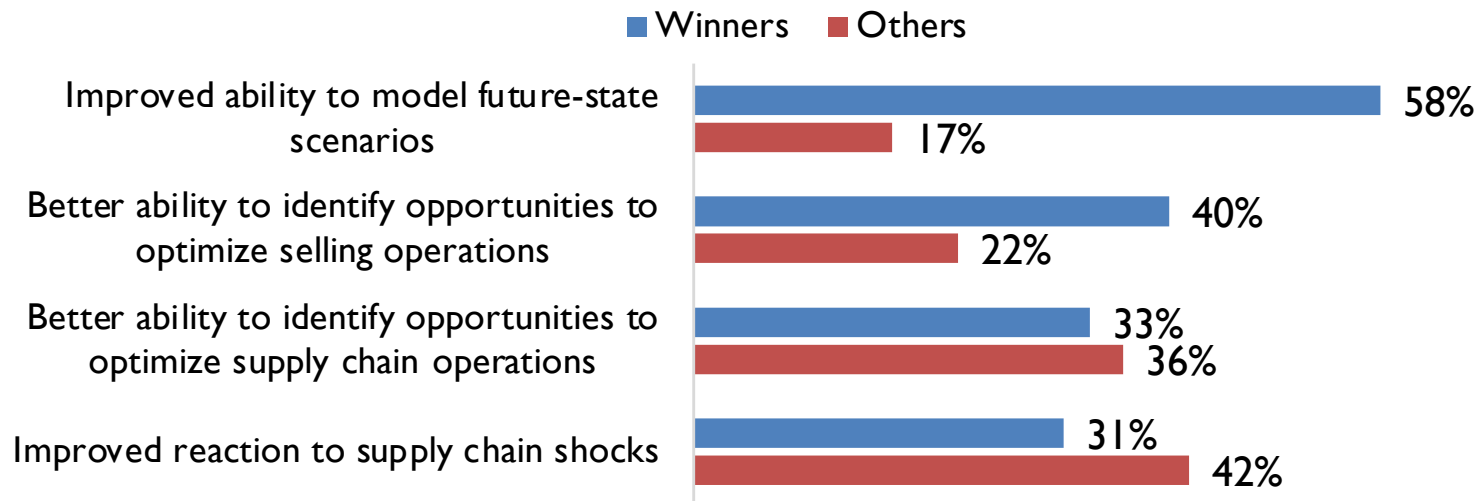
# The Path Toward Agility

Retailers hope that *modeling* will help them to *anticipate* operational scenarios so that they can improve their reactions - to supply chain shocks and sudden shifts in consumer demand.

***But we were surprised at how many more Winners favor this opportunity than non-Winners. This is clearly a Winners' Moon Shot!***



## TOP Opportunities (Selected Differences)



# A Work-In-Progress

Retailers don't need convincing to understand the value of new process KPIs and the analytics that generate them. Most retailers are using or actively considering implementing operational metrics.

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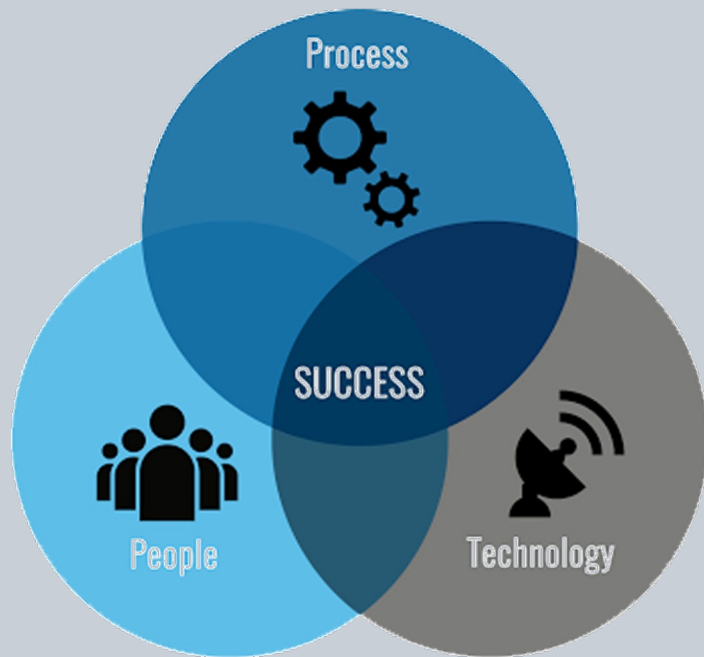
To learn how effectively retailers are using operational KPIs to monitor their business processes, we asked them to rate KPI's for these categories:

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

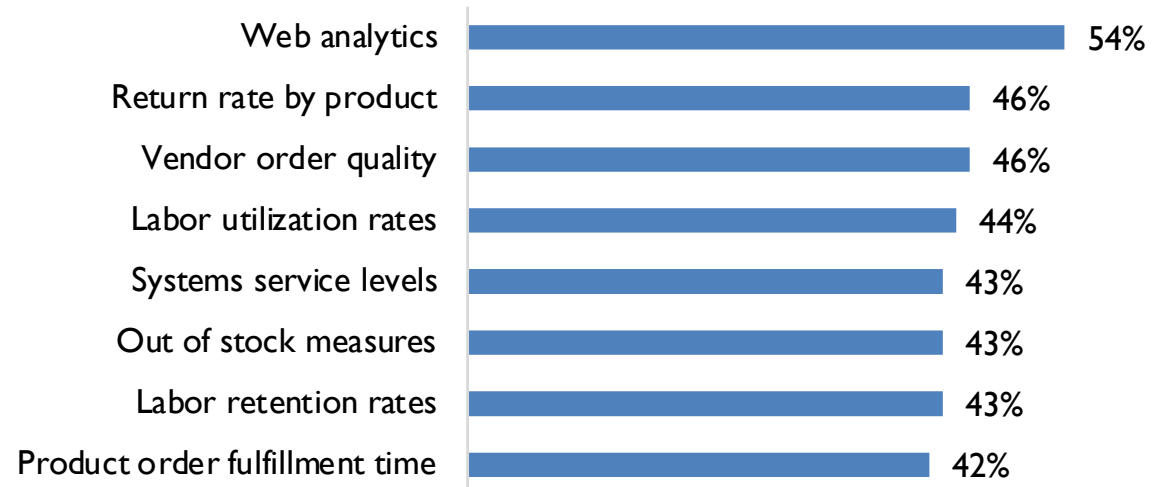




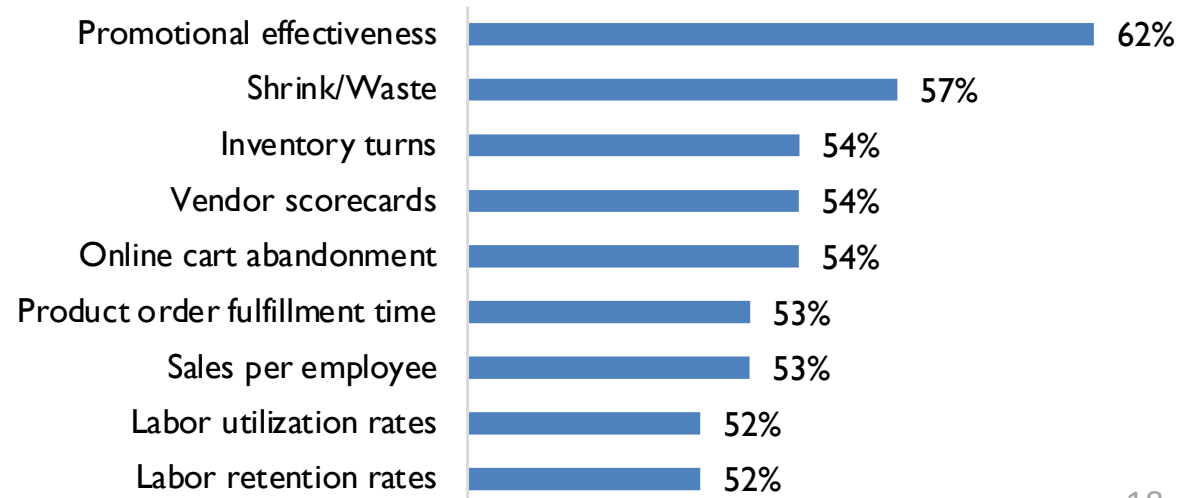
# Status Of Operational KPI's



## Top-5 Operational KPI's: *Using/Satisfied*



## Top-5: *Needs Improvement or Considering*

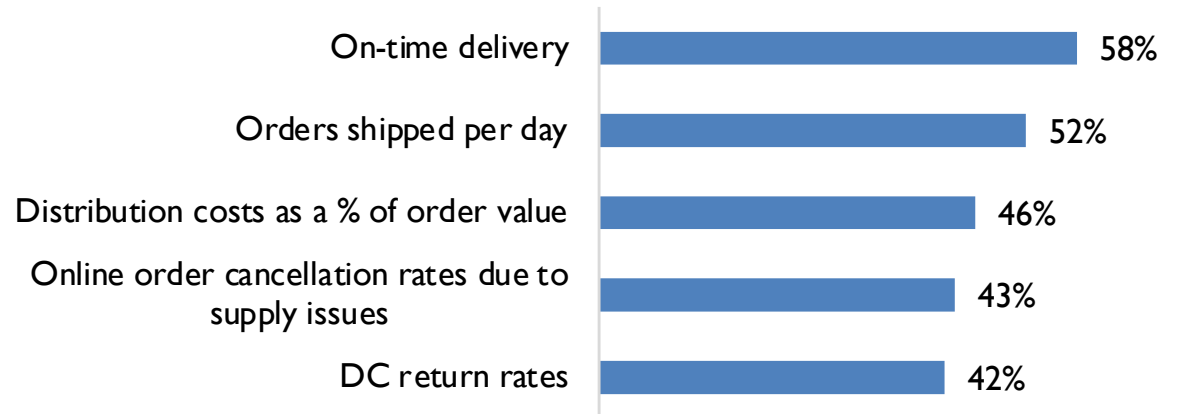




# Status Of Customer Order Fulfillment KPI's

**CLICK  
&  
COLLECT**

## Top-5 Customer Order Fulfillment KPI's: *Using/Satisfied*



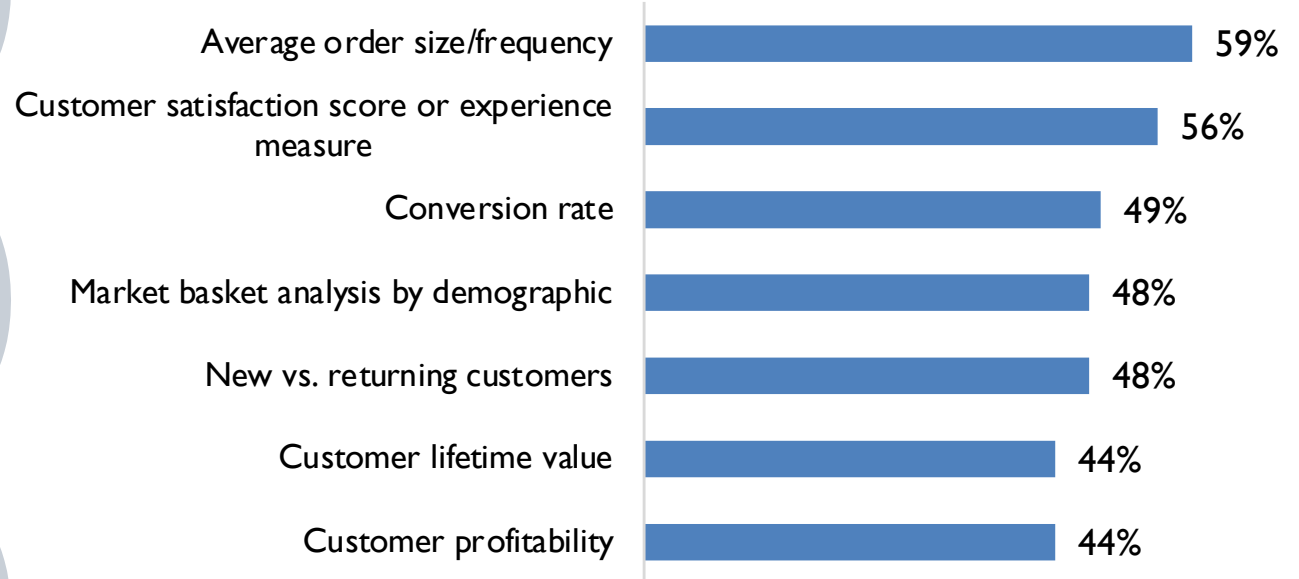
## Top-5: *Needs Improvement or Considering*



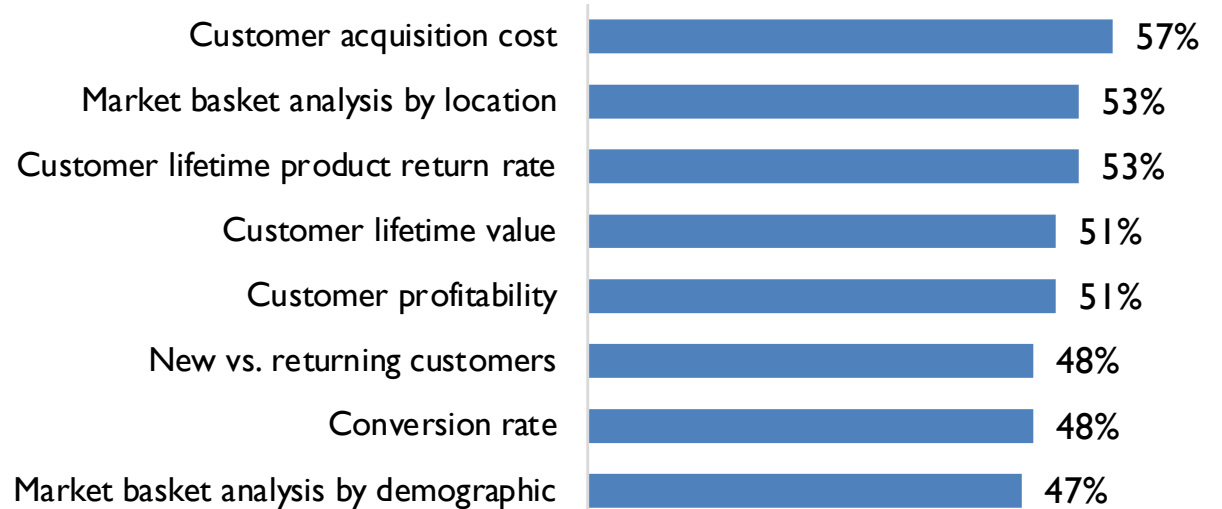
# Status Of Customer-Centric KPI's



## Top-5 Customer Centric KPI's: Using/Satisfied



## Top-5: Needs Improvement or Considering



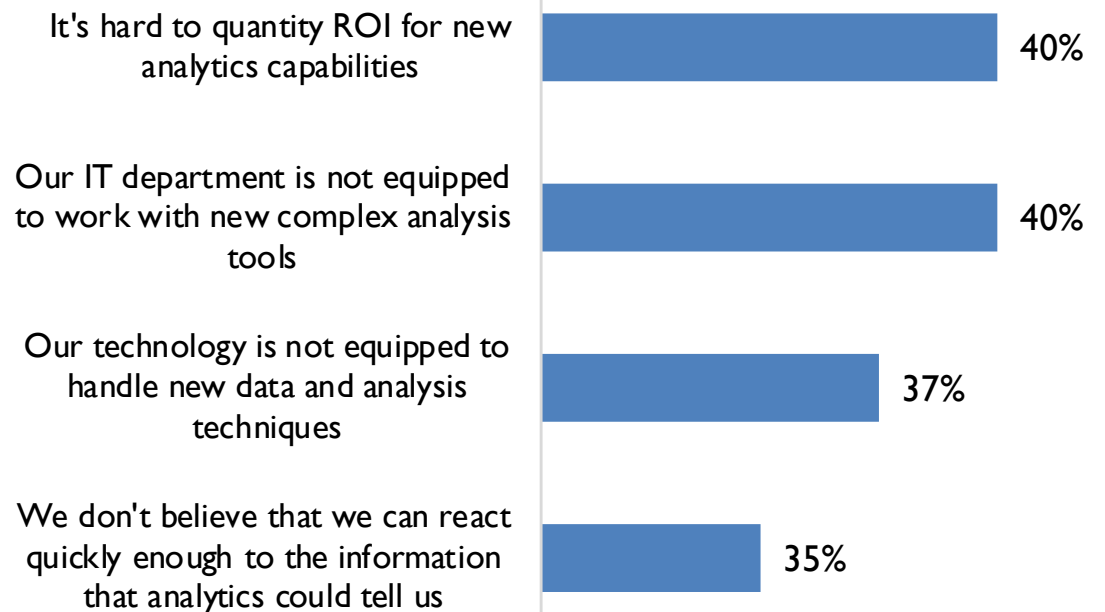


What Stands In The Way?

# Organizational Inhibitors

# **Perception: New Tools Are Expensive, Difficult To Learn, And Won't Play Well With The Existing Technologies**

## **TOP THREE (3) Organizational Inhibitors Standing In The Way Of Taking Advantage Of KPI's**

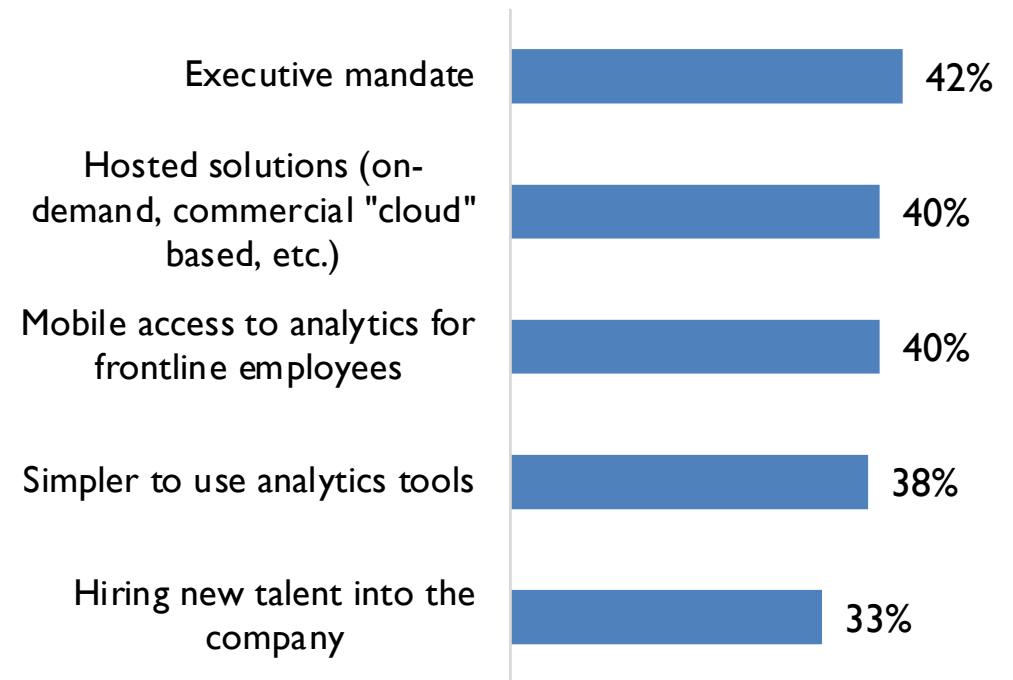




# How To Overcome Inhibitors? *Strong Direction From The Top...*



## TOP THREE (3) Ways To Overcome The Organizational Inhibitors Identified



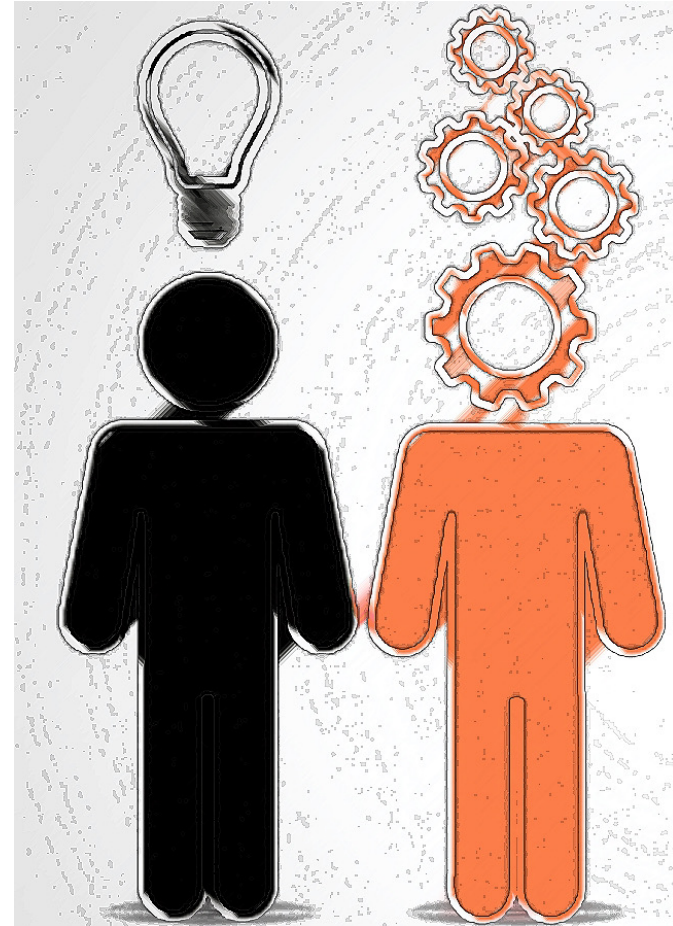
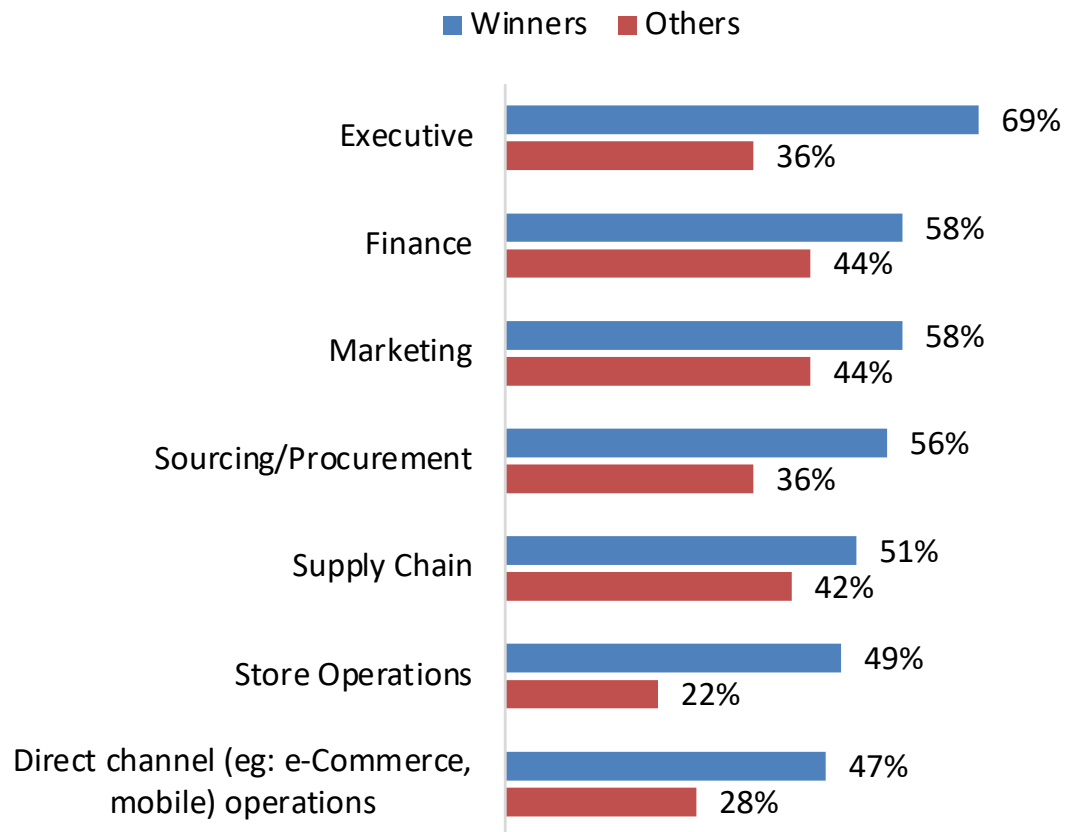
*... And Hosted, Simple-to-Use, Accessible Anywhere, Technologies*

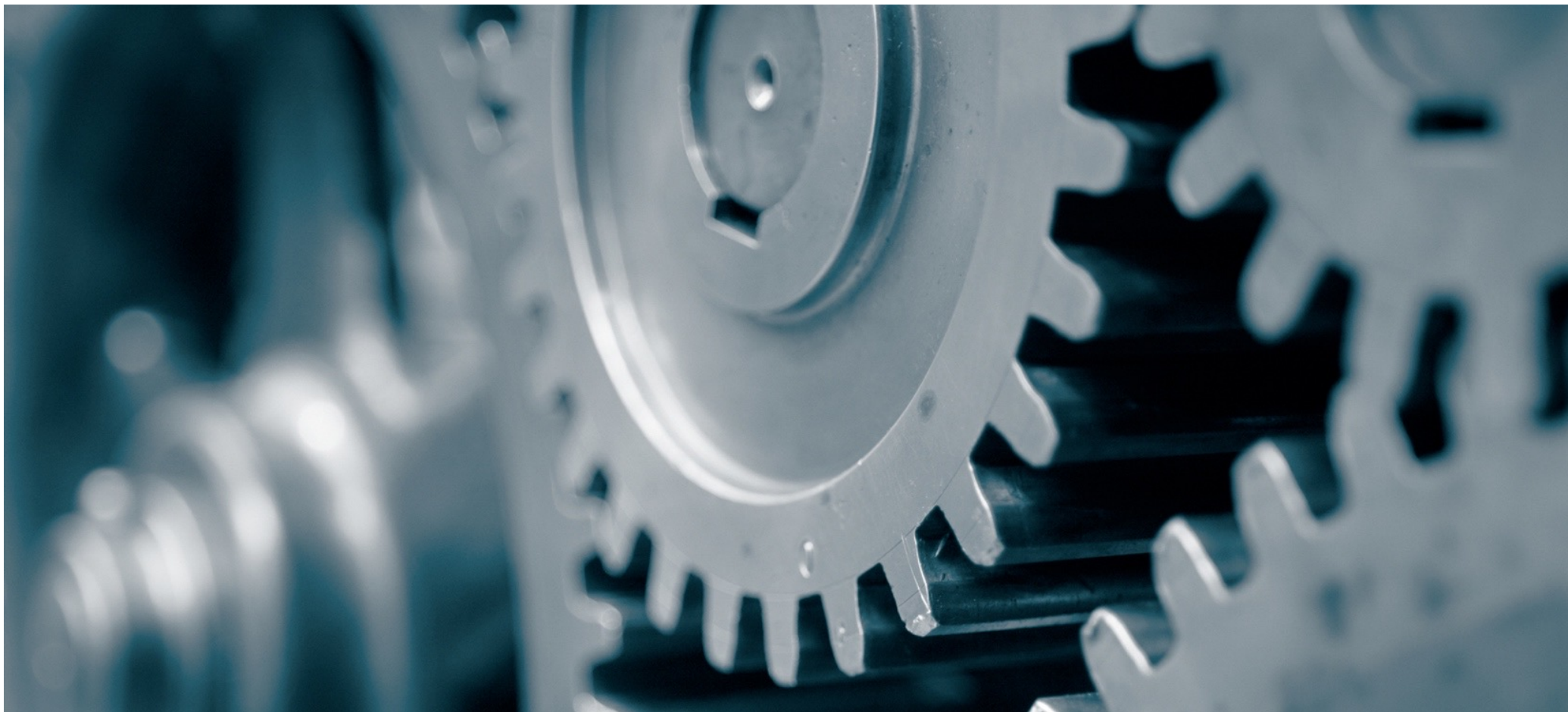


## Data vs. Experience

# *Retail Winners Trust The Data*

### Decisioning Style: Primarily Data-Oriented



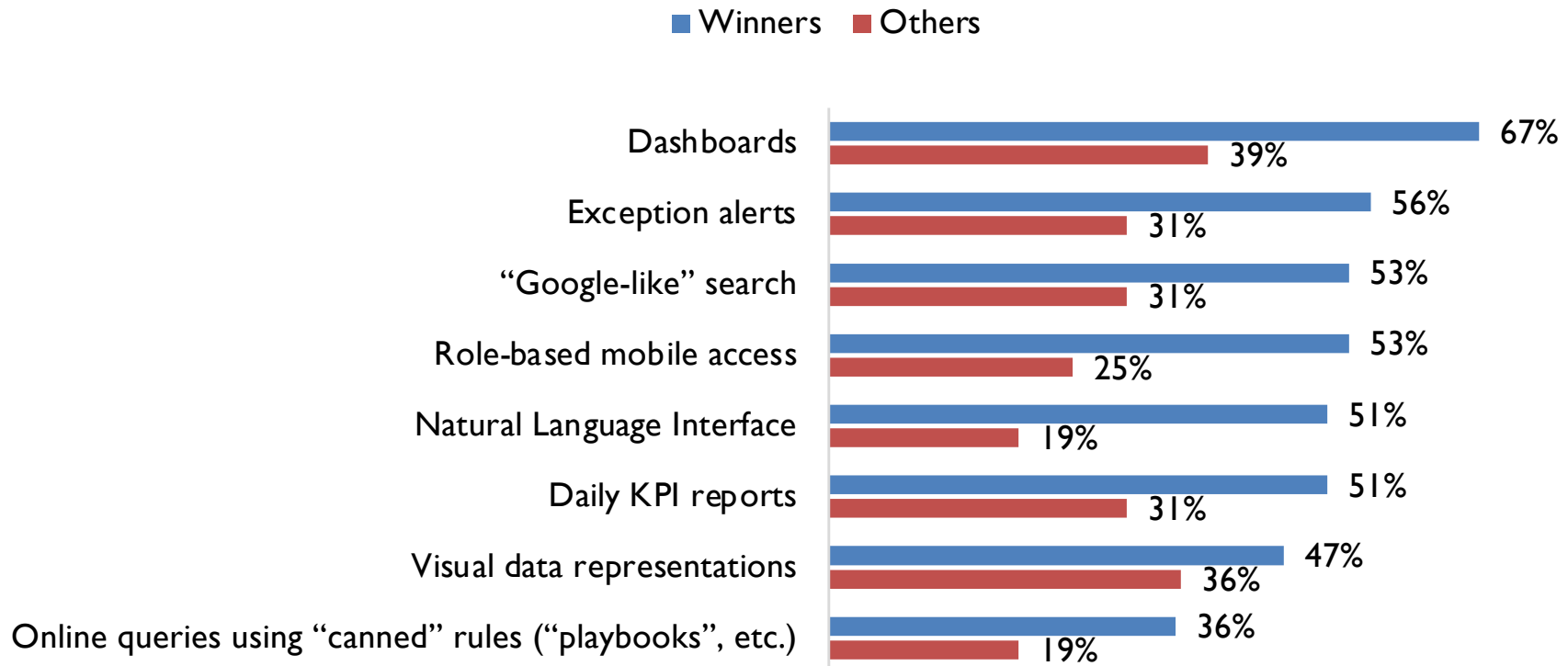


Making Insights Accessible & Actionable

# Technology Enablers

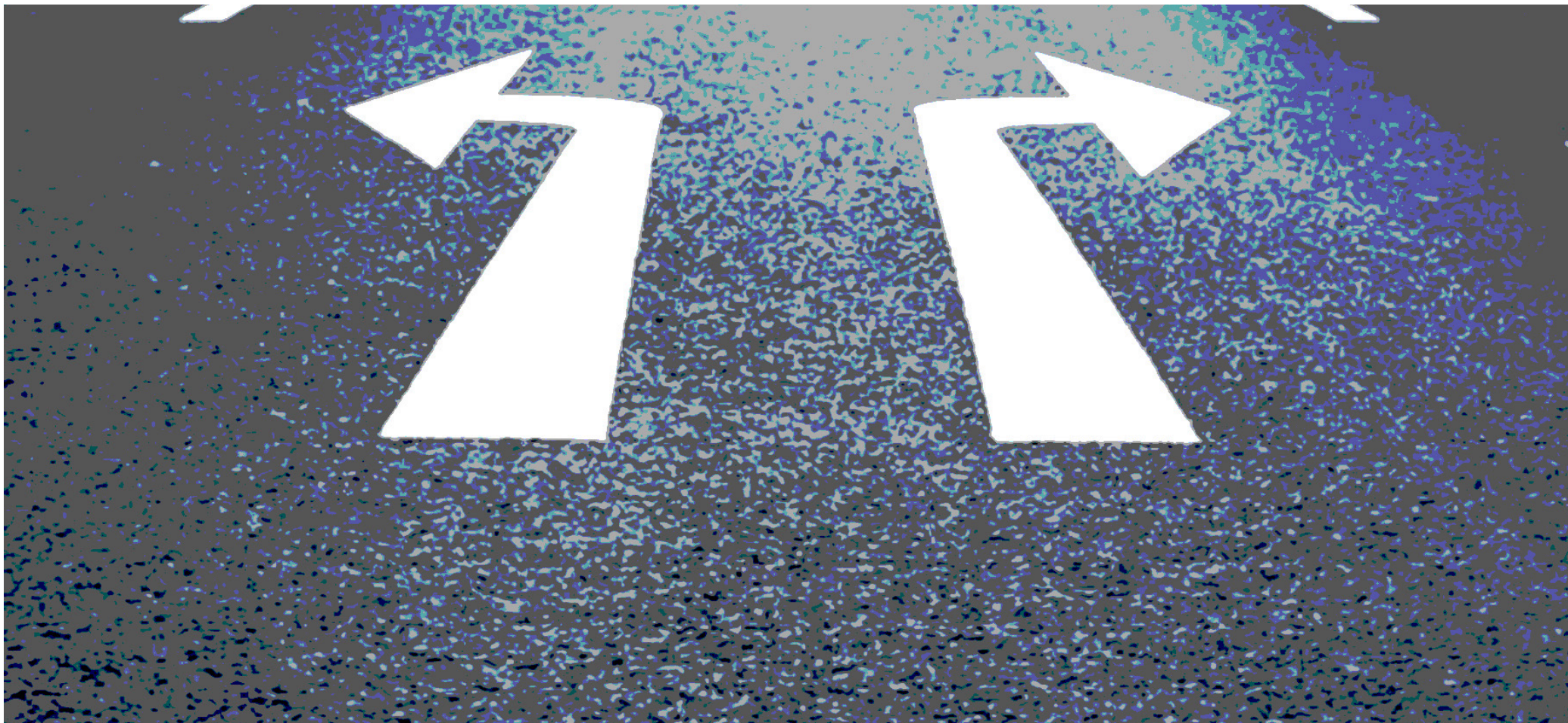
# For Over-Performers, It's All About Making Actionable Information Accessible

What Is The Status Of The Following Interfaces At Your Company? ('Using/Satisfied')



Retail Winners are early adopters, more involved, and happier with the intelligence they are getting as a result. They rely on these tools as a *key component* to their daily operations.





# Report 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.

## ***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.

## ***Stop Relying On Scorecards***

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, retailers need to take advantage of technologies that can help them *sense and respond* to disruptions.

## ***Play On The Competitive Edge***

New tools offer new competitive advantages. Retailers need to aggressively “play” on the competitive edge that they provide.

## ***Phase Out Gut-Feel***

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.



# 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.





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<https://www.rsresearch.com/research/how-retailers-are-operationalizing-analytics-with-new-kpis>

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