

MEASURING UP

'You can't manage it if you can't measure it', says the old rule of thumb. Retailers are finding ways to measure their customers, their competitors and even predict their future.

Was your last ad campaign cost-effective? How much space should you allocate to a new product line? Are you cutting into your competitors' market-share, or are they out-pacing you? You know where your customers live – where can you find more like them?

These are the kinds of questions retailers must answer every day. Once you could run a store on good instinct and a feel for the local market, but today the retail industry is looking for facts before it makes a business decision.

Other industries have embraced evidence-based management and, in retailing, supermarkets have long taken a calculated approach to space management and product performance. Now other retail sectors are adopting these techniques to maximise their space, buying and decision-making.

ConsultAdvantage director Trevor Booth has a background in research and space allocation analysis. Most of his clients are in supermarkets and FMCG but, he says, the trend to data analysis is spreading.

"Book retailers as a sector have really taken a jump forward over the last couple of years," says Booth. Last year Nielsen Bookdata started measuring book sales – using the same techniques Nielsen has honed in supermarkets.

Booth expects this trend to continue. "Space management has evolved out of grocery because of the need to deal with multitudes of products, changing market conditions and also because they have such a wealth of information. It's really data-driven and as other retail sectors become more complex, they gather lots more information and they start to look for ways they can use it."

Datamine director Sally Carey believes retailers are quick to act, but demand solid evidence. "Retailers don't want theory. They want behavioural data like point-of-sale figures – you can't argue with that. It's not about what people say they'll do or think. It's about what people are doing."

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"Retail is different from other markets, such as finance and telecommunications, which have always had a lot of data. Retailers make quicker decisions. They are definitely nimbler and I was quite startled at the pace of making a change. You tell a retailer something that makes sound commercial sense and they've got it implemented the next week," Carey says.

MEASURING YOUR CUSTOMERS

Statistics New Zealand is the fundamental source for business and population data. Last year it launched Business Toolbox as a streamlined way to present relevant data.

"The objective behind Business Toolbox is to make information free and easy to access for the small-to-medium businesses," says deputy government statistician Patrick Ng. "The browser is very easy to use, you can run simple queries from dropdown menus and you get visual results for some queries, too – maps and charts."

Ng calls Business Toolbox a great tool for getting some basic demographic information about target customers. "It's easy to use and if there are any questions, you can contact the Information Centre for free."

Business Toolbox's Market Mapper uses census data to show how many of your target customers live in any district, town, suburb or block. You can use basic filters including age, gender and income and the results can be presented as maps, graphs or tables. Market Mapper lets you click through to more detailed tables for more specific data. Market Mapper is free, but data dates back to the last census in 2006.

For a more detailed and up-to-date demographic database, Pacific Micromarketing's Mosaic is updated regularly. Mosaic combines the

census data with Quotable Value figures and Roy Morgan household and shopping surveys.

Micromarketing manager Lisa Didsbury says the result is a huge demographic database: "Mosaic is the only household-level segmentation data in New Zealand."

The data is analysed to find groups of similar customers. Didsbury says the data defines the groups – households are not forced into the closest match. Mosaic splits us all up into 11 different groups that break down into 42 customer categories. The data is updated quarterly.

Mosaic has obvious direct mail uses but, Lisa says, the detailed database has many other uses for retailers. "One of the core things we might do for a store analysis is to look at drive times to create a catchment for a particular store. Because we have Mosaic to the household level we can understand how many customers the catchment has in the target group."

Mark Thompson, GM Micromarketing and Pacific distribution, believes retailers' in-house databases are fine for customer management, but not for customer acquisition.

"Generally, retailers are sitting on massive chunks of data but aren't getting any where near all the value out of it. Mostly the analysis is around people who are already spending with them. Another key area of value that Pacific Micromarketing delivers



retailers is to identify households who may not be spending with them that have a high propensity to engage with their brand, their campaign or their specific offer. Effective and efficient promotion is the name of the game."

Datamine director Sally Carey says retailers can find many different sources of market data, but the magic lies in combining information from far and wide. "At Datamine we are almost like data scavengers. We say, 'what are all the possible sources of information?' before we do something. We start by identifying everything that could influence clients' business and then look for the data. One of the advantages is our ability to use those data sources. You do need good statisticians to be able to combine multiple sources validly. The more information you've got, the more complete the picture."

Carey says Datamine can use typical business data such as POS information, customer databases and market surveys, and mix that up with environmental information including cruise ship numbers and weather records – to help identify spending patterns.

Some retailers turn to the numbers before buying out a competitor: "Am I buying another customer base or am I just buying bricks and mortar? We take all the customer information from one retailer and compare it with customer information from the other and we're able to say, 'yes, you're getting new customers,' or 'no, it's a cannibalisation exercise because there's a huge overlap,'" she says.

Retailers are increasingly turning to sources like Mosaic or Datamine before opening new stores.

A business and demographic number-crunch helps identify saturated markets, untapped potential and optimal sites for different market types.

MEASURING YOUR COMPETITORS

Statistics New Zealand's Business Toolbox also includes a tool for compiling business data. Industry Profiler uses a similar interface to Market Mapper and gives information on industries and sectors nationally or sorted by area.

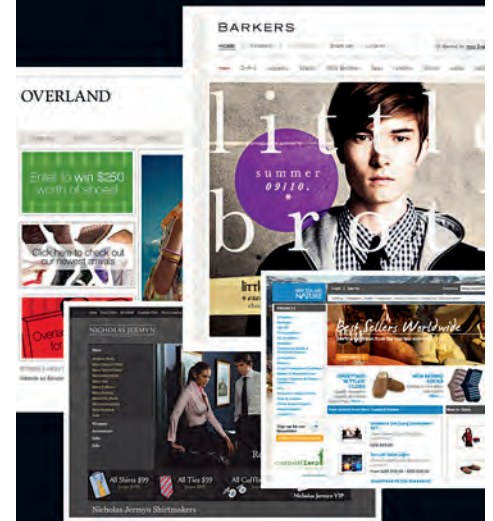
You can search by business type and size and by the number of start-ups and survival rates in different locations. Patrick Ng says Industry Profiler was designed for the do-it-yourself mall business operator to find data that can be used for benchmarking.

Industry Profiler allows access to more detailed databases and is updated annually. All access is free and a helpline is available.

ConsultAdvantage's Trevor Booth says benchmarking is vital to make sense of the data you gather in-house. "The trap there is you may be missing opportunities in knowing what's happening in competing businesses. At the very top level you want to know how the economy and your industry are performing. Then you look at your sector and ask, is it performing better than the industry? Is your business performing better than the sector? Which outlets are performing best in your business? As you get bigger and more complex, it becomes more and more important to do benchmarking."

Paymark uses its extensive electronic transaction database to produce weekly benchmarking

online retail specialists



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information called Market Reporting. It compares your transaction data with a group of other businesses – either sector competitors or other businesses in your area. Market Reporting was launched last year.

“Before this, retailers generally had two sources of information,” says Paymark head of products Phil Deason.

“Landlords could tell you about your centre or mall, but usually that means there’s no direct competitor. Franchisors could tell you about your group, but that wasn’t local.”

Reports are available three days after the end of your trading week. “Timeliness was something that came through loud and clear for us. One client will run a campaign for several weeks, check in during the campaign and make alterations if necessary. That’s something the big merchants can pick up on as well – they can see very quickly the impact of campaigns and the like.”

Market Reports can show if any trends evident in your business are being shared by your competitors and neighbours. A slow down might not be as bad as it seems – you might actually be gaining market-share. Or, your ad campaign can be judged against other spending in your community to identify its effectiveness. Market Reporting is available from \$39/month.

Paymark has tight rules restricting which businesses you can include in your comparison basket. That’s to prevent individual businesses being identified, whether at the outlet or chain level. “We have a very careful set of business rules that are monitored by an independent party that ensure a merchant’s information is never compromised,” Deason says.

PREDICTING THE FUTURE

Knowing about your business is good. Knowing about your

customers and competitors is better. Knowing what the future holds in store is best.

And impossible.

Unfortunately, the best data sources and the smartest statisticians cannot predict your destiny or pick the lotto numbers.

But there is one business indicator that gives a strong guide toward retail spending. Consumer confidence surveys have been run by Westpac for more than 20 years and, over that time, they have shown to be a good predictor of overall retail spending.

Westpac economist Donna Purdue says the quarterly consumer confidence index (CCI), published by Westpac and McDermott Miller, can be used to predict overall retail spending. “We use CCI for predicting consumer confidence over the next quarter or two. It’s one of the better indicators that we use.”

Consumer confidence surveys and other regular economic summaries are available from Westpac and the New Zealand Retailers Association.

Retailers wanting to make the most of their databases should plan ahead and gather data that can be combined with outside sources.

“Make sure there’s consistency and think about how you’d like to use the information down the track – keep it neat and tidy and well-categorised,” advises Trevor Booth.

“It’s all about making evidence-based decisions,” says Sally Carey. ■

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