

Big data divide: what traditional retailers can learn from e-commerce

 By [Garth Meier](#)

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The harsh reality is that local retailers are still very early on their journeys towards leveraging big data. Traditional business models and a reliance on physical retail outlets still dominate our retail sector. But, as retailers consider the right big data strategies to power future sales growth, it could be instructive to look at the approaches of their online-only peers, those 'pure-play' digital retailers - both South African and international.



In general, e-commerce players have been far quicker off the mark when it comes to truly harnessing the power of big data. Around the world, traditional retailers are starting to learn from them, and starting to follow suit. For instance, US-based apparel retailer North Face has emerged as one of the trailblazers in this space – with a broad strategy of using everything from transactional data, to in-store behaviour, customer service interactions, and social media.

By understanding their customers more deeply, they create greater levels of loyalty and become more engaged in their customers' lives (such as loyalty rewards for participating in outdoor events they sponsor). They can smartly personalise their marketing to fit with a person's interests, with the weather conditions, their location, and a host of other variables.

So, just what big data tricks can the 'bricks and mortar' retailer learn from their digital counterparts?

Real-time insights

Online retail leaders realise that it isn't enough to simply build static profiles of their customers. We're fickle individuals, and our interests, tastes and ambitions often change. By taking a 'real-time' approach to their data, retailers can keep their personalisation strategies on-point, and ensure that they're communicating with their customers in the way that each customer prefers.

If an outdoor supplies retailer is able to discern – perhaps from social media – that a particular customer on a camping holiday in the KwaZulu-Natal South Coast, they can promote certain goods that are appropriate to their holiday, to be easily collected at a nearby outlet. While it sounds fairly easy in principle, doing this at scale can be a very complex challenge, but it's one that e-commerce leaders have shown is possible.

Strong focus on trust and security

Since the beginning of the e-commerce era, online retailers have gone great lengths to ensure the security of their services, and to overcome the trust barriers that make many people sceptical of shopping online. Physical retailers could take a leaf from this book: focusing on the physical security, the payments security, information security and other aspects of the customer trust relationship.

Digital retailers make clever use of big data to understand the barriers to online shopping, and reinforce the security and trustworthiness angles where needed. For traditional retailers, instead of regarding information privacy and security as a hygiene factor, they could use the strength of their information security as one of their key marketing attributes – creating a compelling branding opportunity.

The power of customer reviews

Many analysts believe that the biggest reason for Amazon's incredible success has been its data algorithms that rank products based on customer reviews. Contrast this with the online face of your average South African retailer, and we can see a huge missed opportunity to leverage 'social validation'.

In fact, research suggests that 88% of consumers trust online reviews as much as personal recommendations and customers generally read reviews before making a purchase.

Ecosystem strategies

If we look at the way the mechanisms of our favourite digital marketplaces – the mighty app stores – we see an ecosystem-based approach. Google, Apple and Microsoft use big data to suggest other recommended apps to users. By presenting other services based on his behaviour, this not only helps the user but creates opportunities for other app developers. Ultimately, this creates a network effect where the numbers of both users and app developers rockets upwards.

There's nothing stopping traditional local retailers for adopting a similar approach. In our example of the South Coast camper, perhaps the outdoor supplies retailer could partner with activity centres in the local area, or 4x4 vehicle providers. Even if it doesn't directly benefit the retailer, they'll become more embedded and indispensable in their customers' lives, again reinforcing strong feelings of goodwill and loyalty.

In other markets across the world, the principles of big data is infused into every stage of the retail process: predicting trends, choosing inventory, forecasting demand, optimising pricing, targeting customers, and tailoring one's sales approach across the right channels.

It's time for local retailers to realise that they could not only take a data-driven approach to their strategies, but could potentially even have an advantage over their 'digital pure-play' peers. With in-store data they can mine a rich treasure trove of insights, and build even stronger customer profiles to provide the most personalised and value-adding experiences.

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