



The smart choice

In a tightening economy, anything that can give retailers a competitive advantage is worth looking at. And business intelligence (BI) software is one tool that can help retailers gain an edge over their rivals. Sara Edlington reports

Many retailers are already using a form of BI. Indeed, few, if any, will make decisions on pricing, ranging, promoting and allocating products without some form of business reporting or Microsoft Excel-based analytics.

The difficulty is that a retailer's data may not be all in the same format. Bill Hewitt, CEO at Kalido, understands this problem: "Traditionally, a major issue for retailers' data is that it comes in so many different formats, from varying systems that it

becomes difficult to extract what is relevant and load it into a data warehouse." And primarily this is what BI is about: "Providing the right information, at the right time, rapidly in a convenient and understandable form to each of the decision makers in the business," says Andrew Raynor, BI director at ARC Retail.

Some companies have already been using these tools for some time. Mosaic Fashions, best known for High Street names such as Principles and Warehouse,

has been using JDA's Merchandise Planning in some divisions of its business for over five years. The company has more than 2,000 stores in 37 countries and, working in the fast-moving fashion industry, keeping ahead of the game is vital. Mosaic is using the system to help with planning metrics – including sales, margins and inventory turns. John Bovill, group IT director at Mosaic, explains why the retailer decided to expand its investment of the JDA system this year: "It is a robust solution. We

have had it for a number of years in Principles and Warehouse in particular, but also in Oasis."

Alan Smalley, retail solutions manager at SAS UK, explains how his company has helped some of its customers to use BI in different ways. "In the customer intelligence space, Fingerhut (an online retailer) expects to generate an additional \$3 million in revenue this year due to improved targeting as a result of implementing a marketing automation solution." He adds that: "Whilst in forecasting Waitrose achieved an eight per cent improvement in wastage through the introduction of SAS forecasting enabling to them to forecast every product in every store every day."

Word from the wise

Richard Clarke, practice lead for retail consulting at Fujitsu Services, gives a few tips for retailers who are thinking of implementing a BI system. "Get a senior director to back the solution, single out an 'evangelist' for the new capability amongst intended users right from the start; have regular communication updates on design and build progress to create anticipation and plan for a series of short/sharp training sessions to monitor buy-in and usage rather than one big event which most people will forget." He adds that retailers must be absolutely clear where and how the system will add value in the process.

Large retailers can afford, or already have, the IT infrastructure that will power the most sophisticated systems. But in some cases, you don't have to spend huge sums. ARC Retail recently completed a project with Thresher. Raynor says that they developed a mini solution using Microsoft SQL Server Business Intelligence to rapidly evaluate promotional data as part of a consulting project.

Another option is the service-led model, Clarke explains: "We think a service-led model will be applicable to many retailers, but particularly those medium-sized retailers who are unable to invest in and maintain the infrastructure to provide a step change in data exploitation and insight distribution across their organisation."

The right IT hardware is important. Maplin Electronics wanted its management teams to have a real-time operational

picture, based on daily scrutiny of returns from all its sales activities. Mark Smith, head of IT at Maplin, explains: "The financial software's basic capabilities were fine, but batch runs were taking up to ten hours and overlapping with other IT tasks. This was also holding back the finance department's ability to consolidate reports – we needed more capacity without replacing it."

Maplin asked Centiq to help. It recommended several changes to the retailer's IT including: virtualising the system servers, enabling multiple applications to be run on each machine, boosting available processing capacity and permitting Maplin's IT team to quickly deploy new applications as the business grows. And the result? "Now we have migrated to a new platform, we are getting more done with essentially the same infrastructure, without having to 'rip and replace' a perfectly good system," says Smith.

Another area to consider is the staff that will be using the product. Mosaic's staff like the JDA Merchandise Planning Tool and feel they can work with it well, according to Bovill. They had extensive training, but the fact they like using the JDA tool is also important. A product of this nature that

staff find difficult to use could result in them not getting the most from it.

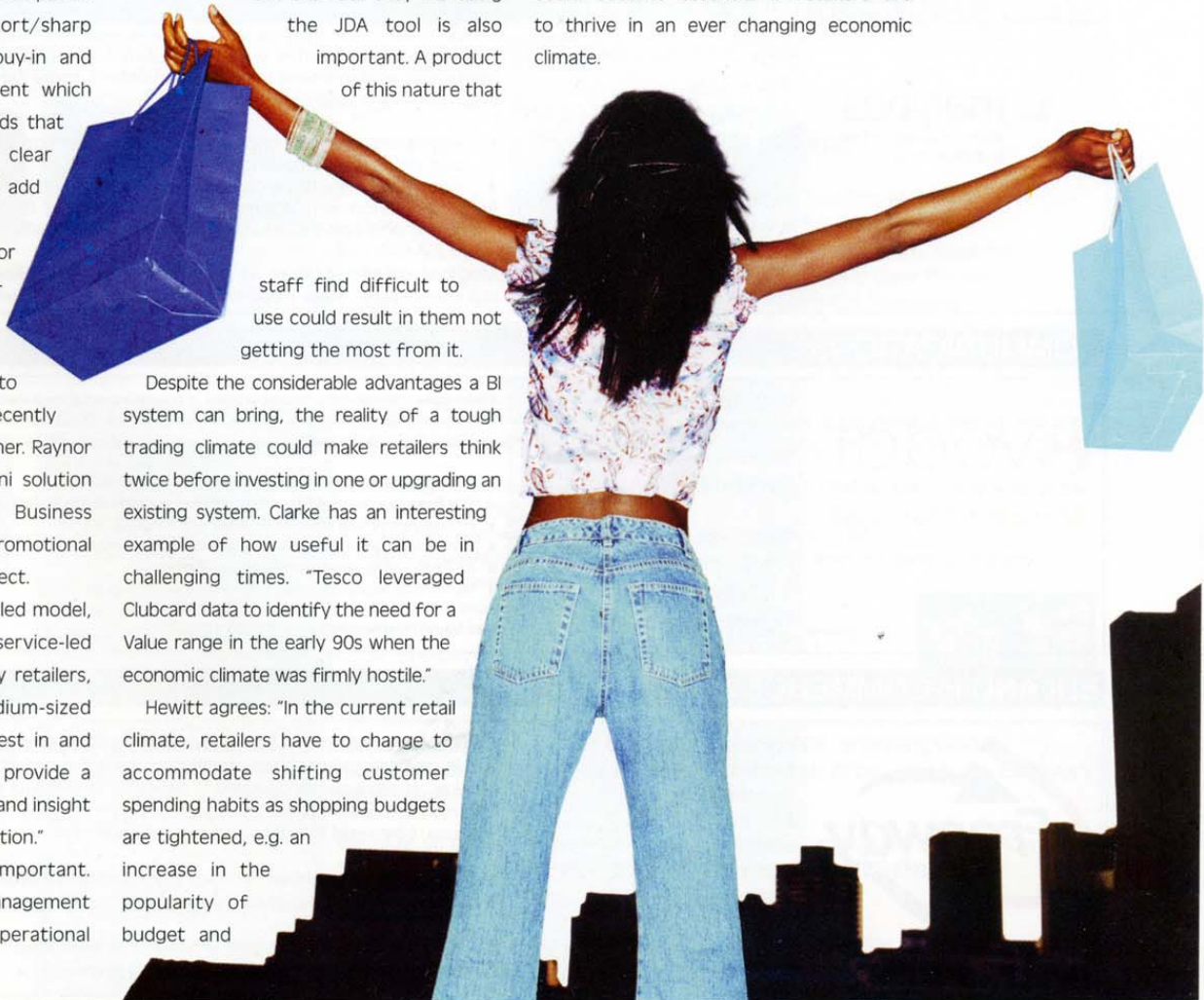
Despite the considerable advantages a BI system can bring, the reality of a tough trading climate could make retailers think twice before investing in one or upgrading an existing system. Clarke has an interesting example of how useful it can be in challenging times. "Tesco leveraged Clubcard data to identify the need for a Value range in the early 90s when the economic climate was firmly hostile."

Hewitt agrees: "In the current retail climate, retailers have to change to accommodate shifting customer spending habits as shopping budgets are tightened, e.g. an increase in the popularity of budget and

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own-brand product lines." He adds: "BI implementations can help stores identify and quantify these shifts more quickly and accurately, allowing them to respond in a more targeted and timely manner."

BI systems offer many advantages to retailers. As the retail business model becomes more complex, with e-commerce and fast-changing consumer demands, the tools offered by this type of software could become essential if retailers are to thrive in an ever changing economic climate.



Working together

CNP credit card fraud grew by 37 per cent to £290.5 million in 2007 according to data from the Association of Payment and Clearing Services. It is not just the amount of fraud that is rising; the amount of attempted fraud is also on the increase, observes Sara Edlington



The 3rd Man, a fraud screening company, believes the problem could actually be far worse. It says that £500 million of fraud was attempted during 2007. And the potential for this to rise was shown recently by online sales figures. Despite the credit crunch, the IMRG Capgemini e-Retail Sales Index shows that UK shoppers spent £13 billion online during the first quarter of 2008. And as online sales increase, so does the potential for fraud, making it even more important to protect online operations.

What is worrying for retailers is that the fraudsters are becoming more sophisticated. As Jack Harbaugh, e-commerce general manager at the 41st Parameter, which provides fraud management services, explains: "It used to be hackers who were being kind of a nuisance and it has got to the point these days where there is a whole new level of sophistication on what is happening with e-commerce fraud."

CNP fraud can also have an impact on a retailer's image and reputation as Scott Olson, vice president of marketing at Iovation, a device identification company, says: "Whether measured in operational inefficiency, money lost to confirmed fraud, or good orders rejected due to false suspicion of fraud, the impact of fraud on the ability to maximise sales and profitability cannot be underestimated."

The 2008 UK Online Fraud Report from CyberSource says that 60-80 per cent of merchants surveyed still rely on manual review as their primary line of defence against fraudsters. Combining manual reviewing with a fraud screening service gives retailers an extra edge in detecting fraud. After all, retailers need to stay one step ahead of increasingly sophisticated criminals. One way to fraud screen transactions is by location.

Steve Sawyer, director of EMEA business development at Quova, which provides internet geolocation data, explains one way this can be done – by geographical information. "Online retailers can, and often do, use a number of tools to predict online fraud such as credit card verification and authorisation services, but the most frequently overlooked and perhaps most useful tool is the ability to identify where the customer is located when they place an order on the web."

Other methods involve the device, such as home PC, which the customer is using to order. This can reveal that, although the fraudster has stolen a UK resident's card details, the device being used for the transaction is based in another country where a different language is installed. That transaction can then be checked to see whether the real cardholder is using their card abroad or a fraudster is in action.

Sharing information

This type of information is critical in the fight to beat the fraudsters and if you share information with other retailers, banks and so on, it becomes even more valuable. The 3rd Man has launched a forum (www.cnpforum.com) for retailers and other parties interested in preventing and protecting themselves from fraud. Two hundred and fifty retailers are involved and the company has also invited the banks to take part.

Paul Simms, CEO at the 3rd Man, notes: "The forum gives retailers the ability to report suspicious activity and we give them free access to our SuperSearch facility. Search activity is monitored to ensure that only genuine users participate and to ensure that this cannot be used by fraudsters to gain any insight into our operations." SuperSearch works by allowing retailers to share information about fraudulent activity. As the data that is shared is anonymous, and also provided on the basis that a manual review will be included, both retailers and The 3rd Man's data protection obligations are upheld.

The collaborative approach is used by Ethoca, a collaborative fraud management company. The CEO, Andre Edelbrock, feels that such an approach is important in tackling fraud. Retailers who want to be a part of the company's system have to contribute their data. "It is quid pro quo – you have to contribute, you cannot just use the service, you have to bring historical data, your ongoing information, you have to work with Ethoca and the community." Why? As Edelbrock concludes: "If people are using it (the information sharing) and not contributing, over time the value of the network and the information sharing community degrades, and then all we have done is wasted a lot of good effort." The advantage with all these systems is that their technologies are keeping pace with e-commerce, so retailers will not need to buy in new services to protect themselves from fraud as the e-commerce market continues to develop. And what about the bottom line? Does using a fraud prevention service save retailers money?

The 41st Parameter works with US-based 2CO (2Checkout), a transaction service for retailers. Since June 2006, when new security measures were put in place, there has been a 75 per cent reduction in the number of claims that have needed to be investigated by manual review. And savings on chargeback fees, due to fraud, rose 25 per cent. Combining manual reviewing with fraud screening could mean that retailers can move some of their manual review team to other areas of their business. Doing so could help reduce operational costs by reducing the need to employ new people.

As for the future of CNP fraud detection and prevention, Edelbrock sums things up as follows: "That whole push towards a community type of an effort. That's where it is heading, because fraudsters are getting better and better at working together, whether that is sharing information, sharing techniques, even sharing technology, they are really building fully fledged businesses out of taking advantage of the weaknesses out there in the marketplace." If the fraudsters are willing to work together, then retailers will have to follow suit – sharing data and information about both fraud and attempted fraud in a bid to stay one step ahead of the criminals.

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