



Retail Automation Post COVID-19

*An Impact Analytics
Perspective*

How prepared is your organization for post-pandemic period?

As the US economy has started opening in some parts of the country, retailers are all set to open brick and mortar stores and closely monitoring every new development in COVID'19 policies. They are being cautious at every step as they want to recuperate their losses due to store closures but not at the cost of margin. There will be shifts in demand in the short, mid, and long term depending on various factors like post pandemic recession, unemployment, consumer psychological shift, reduced foot traffic due to new guidelines on social distancing etc.

Many retailers were struggling before the start of pandemic and considering automation as a requirement to survive amidst heavy competition. The need accelerated even more when the Covid'19 crisis hit the US market and shut down operations for some of them.

The AI automation maturity of organizations will be judged broadly under three major areas in the post pandemic era:



Customer Engagement

- ✔ Virtual Assistance
- ✔ Contactless Engagement
- ✔ AI Multilingual Bots in store
- ✔ Live Chat Bots on Website AI



Core Merchandising

- ✔ Automated Merchandising Softwares
- ✔ Streamlined Processing
- ✔ Agile Decision Making



Customer Fulfilment

- ✔ Self Checkouts
- ✔ Contactless Shopping Experience
- ✔ BOPIS / ROPO / Curb Side Pickup

Among these, Core Merchandising is one of the most crucial stages where the need for automation is paramount. Nobody will disagree with the fact that the retail industry will not remain same as before post reopening of the economy. Product preferences will shift, supply chains will be disrupted, demand will be shifted, and organizations will be more flexible towards WFH. Retailers will have to adapt to the "New Normal" that will require different ways of doing business.

Core Merchandising :

Core merchandising activities include merchandising operations, planning, and buying. The most crucial thing for the retailers as soon as the economy opens would be to re-think their current processes rather than go back to their former way of operating. Every decision will be time sensitive, and merchant teams will need to redeploy their working hours to valuable activities rather than working on non-productive activities such as excel fixes. Immediate actions would be required for the merchandising activities referenced below in order to stand out among the competitors:

Core Merchandising Activities



■ Merchandising Planning

- Financial planning, sales forecasting, lifecycle planning, customer trend analysis based on recency/extreme event demand shift , seasonality, region, infection rates etc.



■ Assortment

- Quickly analyze consumer preferences at SKU level.
- Optimize process to avoid excess overbuys, deep discounts, markdowns, reactive clearance and inventory stockout and achieve higher sell-through rates.



■ Pricing/Promotion/Markdowns

- Being competitive while protecting EBITDA at the same time by optimizing net sale price.
- Appropriate markdowns to get rid of surplus inventory.
- Manage price fluctuations across retailers.



■ Space Planning

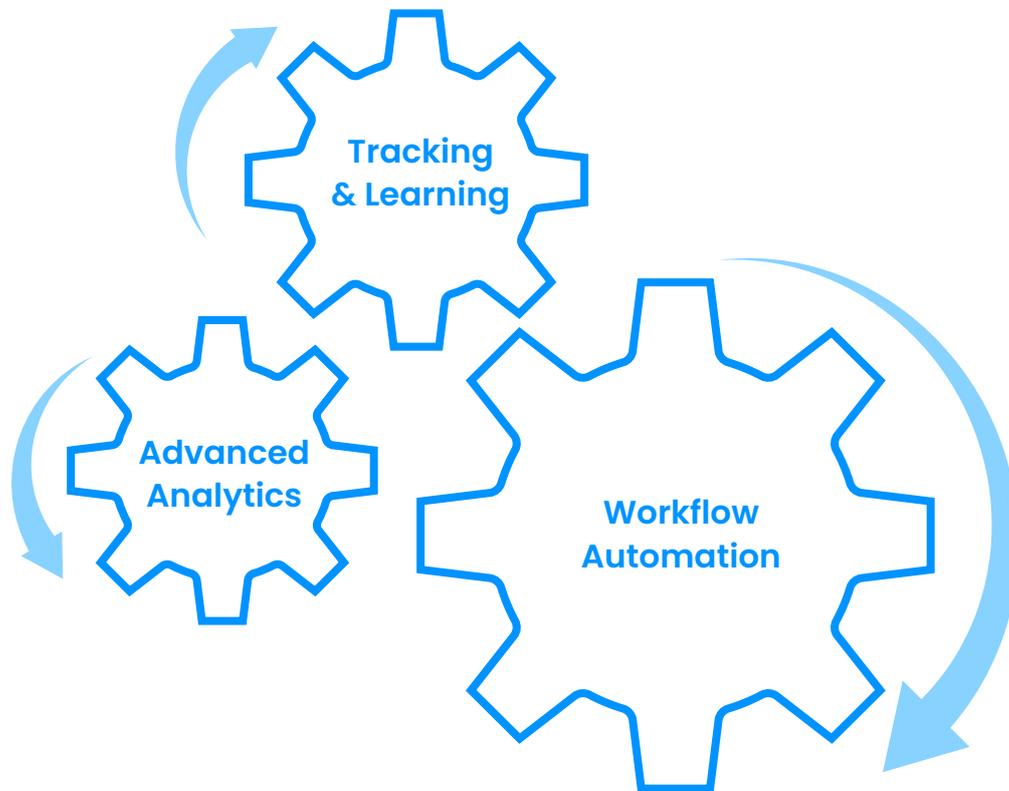
- Intelligent space planning to optimize operations for both Online and B&M inventory.
- Intelligent shelf planning to promote slow moving products and optimize for fast moving products based on inventory.



■ Allocation

- Inventory rebalancing using weekly optimized allocation based on adjusted demand, onhand surplus/insufficient inventory, corona recovery , global supply chain pressure etc.

Retailers who are proactive will have the edge over other retailers through enabling their merchants to make faster decisions by investing more time in strategic activities and creating value for the organizations. Below are the urgent levers which will drive their decisions:



There is a lot of uncertainty around demand patterns when the US economy re-opens. Planners will be bogged down with all sorts of manual adjustments, testing/learning scenarios at a category/SKU level effectively exhausting all the valuable time to make efficient and analytically driven decisions. In such scenarios, organization will need to build up the resilience to fail faster in order to succeed sooner.

Automation will give them ammunition to frequently/quickly adjust to the changing economic scenarios and survive in the turbulent times. A retailer must figure out answers to below questions in order to identify the core merchandising automation maturity of the organization:

- 1 At what level (store/category/SKU) core merchandising planning is done?
- 2 How much % of merchandising planning is based on excel work?
- 3 Is there any system in place to trace back the changes made in excel?
- 4 How much % of planners working hours is consumed by excel manipulations?
- 5 Do you have a system in place to make changes dynamically with the demand forecasts changes as and when you collect more and more data?
- 6 Are you equipped with tools to identify the market price fluctuations (online/offline) and be competitive in the reduced demand environment?
- 7 Do you have the capability to quickly incorporate external factors (like unemployment rates, Covid'19 related fatalities) in your demand forecasts at region level?
- 8 Do you have appropriate tools for testing and tracking effects of any changes you make in price/promotion for a given SKU?
- 9 Do you have a dynamic reporting tool to quickly generate insights for faster data driven decision making?
- 10 Are you capable of maintaining smooth flow of inventory with current global supply chain pressures?

When retailers will be able to answer these questions satisfactorily, they will be able to pass the imminent barriers of uncertain economic environment. If you do not have clear answers to more than 5 of the above questions, team at Impact analytics can help you start and navigate the automation journey.



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Forbes

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