

USING YOUR EXISTING DATA TO MAXIMIZE PROFITS

by

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There is a growing realization among business leaders that they have too much data and not enough information. After spending the 1990's investing heavily in new core software systems most businesses' key processes are automated and running fairly smoothly. But most managers still tell us decisions are generally based on "gut-feel" not data and facts. When you look at the most successful companies in various industries you see one common element – a great ability to harvest minute by minute transactions and transform that data into wise decisions.

Strong data analysis provides the ability to lead your industry in product development, set advantageous pricing, manage operations more profitably, and close more sales. But most importantly it allows your managers to do these things faster and more consistently by transitioning their time from data gathering to data analysis, and by taking guesswork out of the equation.

Let's look at one example of how using your existing data can have a multi-million dollar impact on your bottom line. According to the National Supermarket Research Group's 2003/2004 Shrink Survey the average conventional retail store losses 2.13 percent of gross sales in "shrink" each year. Shrink is simply products which are not paid for by a customer. The study also found that cashier dishonesty was the largest component of employee-caused shrink at 35 percent. Applying these estimates to a hypothetical \$350 million per year retail store, approximately \$7.4 million is lost in presumably controllable shrink, \$2.6 million of which is directly attributable to the cashiers at the front of the store. Our work with retail clients confirms these issues and even suggests these numbers are very conservative.

Best in class retail operators have realized shrink recovery can be their top source for adding profit to their operations! In our example, how many other areas can add \$2.6 million directly to the bottom line?

By using the business intelligence framework one could identify specific actions that correlate to shrink. In a retail setting two indicators that have a high correlation are transactions which end in a “no-sale” or “void.” Unfortunately, extracting and reporting this data is extremely difficult from even a sophisticated transactional point of sale system because the application was designed to process scanned SKU’s, not summarize and report data. However, a simple data warehouse can be built to report these transaction types by cashier within a meaningful time period like a standard work shift. The report provides a simple way to view which cashiers are posting abnormally high rates of these critical transaction types, allowing management to take immediate corrective action with the potential to save the company millions of dollars in lost profits.

All organizations have a few key metrics which if measured and managed proactively could have an enormous impact on performance. It could be resource utilization, product defects, or sales per product line. Identifying key performance indicators with the largest impact to your organization, and building reports which are actionable takes great skill and the ability to interview management and draw-out their most important needs.

The data is sitting in your computer systems waiting to be harvested. As the economy roars into high gear, the highest performing organizations will differentiate themselves by their ability to gather and analyze data about their business, and use it to maximize profits and make fast, smart decisions about growth opportunities.