Advanced Analytics for Competitive Analysis

Competition – a major issue for all retailers

Competition has always been an important issue for retailers. However, with the advent of national and global brands, along with more sophisticated practices, competition has become even fiercer. Whether being attacked by price leading mass merchants or looking under-stocked compared to category killers, retailers today have to fight competition for every dollar.

As a result, it's more important than ever for retailers to comprehend the competitive landscape. One key element of that landscape is a detailed understanding of exactly how competition impacts sales. Simply knowing how total store or category sales are impacted following a competitive opening isn't sufficient. Deeper analysis is necessary to adequately address the issue.

Teradata Corporation has services and methodologies to help assess a range of competitive situations including:

> New store openings.

> Store remodels or reformats.

> Store rebranding.

> Heavy marketing or advertising efforts.

> Ongoing existing store impacts.

Our analyses identify the key patterns and drivers of performance in a competitive environment. You can then apply these findings to improve your business.

Teradata's experienced team of Advanced Analytics consultants works with retailers like you every day to address a wide range of competitive issues. Our consultants can assist in the full range of project design, execution, and delivery to help you get the business value you need from your Teradata® solution and your data.

The Teradata Difference

Through the masses of detailed data it stores, a Teradata solution is uniquely able to delve into the impacts retailers experience from competition. Our solutions include not just the storage of the data, but the tools and services required to analyze that data.

Basket Analysis

Simply looking at high-level sales trends won't tell you all you need to know to combat competition. It's necessary to drill deeper by investigating detailed market basket data.

Some key business questions to address include:

> How does competition impact basket size and breadth?

> Which types of baskets are impacted most? Large? Small?

> How does the prevalence of coupons, discounts, or promoted items change?

> Are affinity relationships strengthened or weakened?

> Are entire baskets lost to the competition, or just parts of baskets?

Customer Analysis

One of the most critical dimensions to examine is the customer dimension. It's critical to understand how your competition influences your customers.

Note that you don't need a loyalty card for this type of analysis. You can use faceless customer analysis. For the purposes of competitive analysis, you care about overall patterns and trends much more than who specific customers are by name. By taking masked credit, debit, or checking information over time and tying together transactions for the same customer, you can achieve great results.

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Competitor Opening

12-Month Median Total Percent Sales Impact

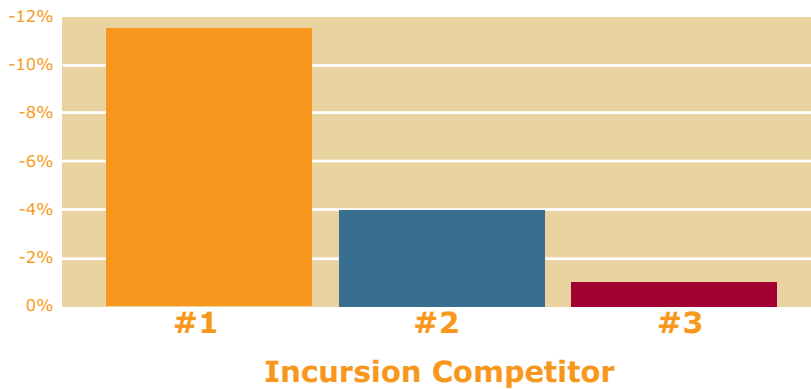*Figure 1. It's clear that Competitor #1 has a much more negative impact on sales than does either #2 or #3.*

Competitor Distance to Store
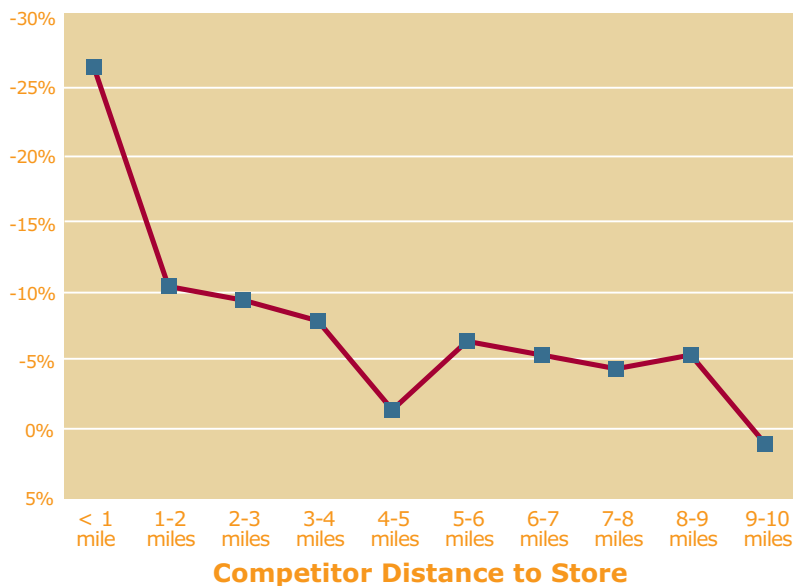
12-Month Median Total Percent Sales Impact

Figure 2. Here, you can see that the closer the competitor, the worse the impact to sales. A competitor within a mile is particularly impactful.

Some of the key questions that you need to address are:

> Which customer segments does the competition impact the most?

> Do you lose entire customers and keep others, or do you lose part of everyone's spend?

> Does the profile of newly acquired customers change?

> How do customers' overall shopping patterns change?

> How do frequency, price sensitivity, and product loyalty patterns change?

Store Analysis

Of course, traditional store-based analysis can also yield insights. Some of the questions to ask include:

> How does the competition impact store sales?

> Which products and categories are impacted most?

> Does promotional effectiveness change?

> How do patterns vary by store format, store layout, or the presence of value added products and services?

> How do patterns vary by competitor, distance to your store, and total level of nearby competition?

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Test/Control Architecture

Whenever possible, we recommend that a test and control environment be utilized for competitive analysis. This involves identifying test stores that had an incursion or other competitive activity of interest along with a similar control store that did not.

By leveraging a test/control environment, it's possible to get a clearer idea of the competitive effects. Market trends, seasonality, store profiles, and other factors are all accounted for with this approach. Not only will this lead to more accurate results, but it will prevent the association of outside factors with the competitive threat.

What makes Teradata Advanced Analytics so powerful? First, we use in-database mining to overcome the limitations of typical analytic environments to maximize performance and scalability. Our data mining tool – Teradata Warehouse Miner – provides a comprehensive set of data mining functions that enables you to build and deploy analytic models directly in Teradata Database. Next, we approach analytics as a strategic process that can greatly improve your business – not simply as a collection of algorithms. We never lose sight of the business perspective of analytics. We start by helping define clear business objectives, and then we tailor the analysis to meet those objectives.

Advanced Analytics from Teradata Deliver Value

A large retailer was experiencing huge impacts from two major competitors who were specifically targeting the chains' locations. While it was clear sales were down in impacted stores, results varied widely, there was no consensus about the true magnitude of the impacts or about how the retailer should respond.

Teradata Advanced Analytics consultants performed a detailed analysis to dig deeper. Hundreds of locations with an incursion over a several year period were identified. In addition, similar stores that had no incursion during that period were identified. Impacts from the first month out to several years were examined for each store, and the results of this analysis were aggregated.

The results showed that the different competitors had very different effects on the retailer's stores. It was also discovered that the format and marketing positioning of the retailer's stores had large impacts on how hard they were hit. It was possible to see how certain product lines and shopping patterns were being maintained well, while others were in trouble.

With information from the analysis, the retailer was able to craft strategies to offset future incursions to the extent possible.

Finally, Teradata offers a suite of software and hardware products that can grow right along with your business, providing you with the critical functionality, data, and analysis you need for strategic and tactical decision support.

Why Choose Teradata?

Because we bring decades of experience in everything from retail strategy and statistical consulting to CRM and data visualization. We have a proven track record of solving key business problems

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and maximizing customer relationships for companies like yours. We can execute analytic projects using either Teradata Warehouse Miner or any other data mining tool you may already have in place. And our advanced analytics easily integrate with other Teradata solutions, including Teradata Customer Relationship Management and Teradata Retail Decisions.

For More Information

To learn more about how Teradata Advanced Analytics can provide the kind of competitive analysis support that can help you grow your business, contact your Teradata representative or visit **Teradata.com**.

Related Topics

> **EB4945 – Marketing Optimization**

> **EB4773 – Advanced Analytics Overview for Retail**

> **EB5008 – Assortment Optimization**

> **EB4772 – Price Optimization**

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