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The impact of digital transformation in retail businesses

Over the years, the retail industry has managed to adapt and benefit from technological changes and today, more than ever, it must be up to the speed and versatility that technology demands. Nowadays, its growth urges a dynamic and innovative commercial strategy, where being close to the client and operational excellence are the north.

It's not news that traditional retailers, known as “Brick and Mortar,” are barely surviving in a high-pressure business.

Adapting and achieving competitiveness can be possible with the help of technological tools. These could facilitate getting away from the pressure of aggressive players, the current context, the post-pandemic effect and the typical pains of retail operations.

Before the pandemic, the consumer used to attend several stores to buy the different products they would need. But the post-pandemic brings us new shopping behaviors. Today, the “one-stop shop” sales format or purchase in one place is gaining share, because the consumer prioritizes preserving their health and avoiding possible infections, in addition to saving valuable time. Consumers don't want to be forced to go to a second store.



> ***Today, the ”one stop shop” sales format is gaining share since consumers prioritize preserving their health...***

PRICES WILL INCREASE THEIR SENSITIVITY, since as time passes, consumers begin to look after their “pockets” and there is a tendency to save money by trying low-price brands and private labels.

THE OPTIMAL ASSORTMENT OF PRODUCTS MUST BE ADJUSTED TO THE NEW NEEDS, trends and consumer behavior. The product offering should be expanded to get closer to the idea of a “one-stop shop”. And, consequently, the supply chain must be efficient to minimize stock breakdowns.

PROMOTIONS : retailers must be up to date with the market offer to design a competitive response that takes into account the new needs and habits of the consumer.

And then we have the e-commerce boom and the challenges associated with the exponential growth of demand developed in this channel. Migrating towards the use of technology that helps to solve the challenges of the **supply chain**, the last mile, inventory management and communication with the consumer, among others, is essential in order to increase your market share.



In addition to the new normal of post-pandemic retail, we have all the well-known pains associated with store management:

- Ability to process large volumes of data
- Ability to identify and solve problems
- Coordination and efficiency in the use of the different internal communication channels that can affect productivity
- Planning and prioritization of daily tasks in stores
- Agility to solve on-site management problems
- Control and visibility of store processes

Therefore, optimizing retail business processes is really necessary, as it has a direct impact on profitability and the image perceived by customers.

Through digital transformation, companies can drive innovation initiatives and optimize their store operations, with automated systems that allow connecting, managing and ensuring the correct interpretation of data to improve the quality and speed of workflows, and consequently, customers' shopping experience.

Store personnel will feel more empowered working with a tool that will give them security to carry out their work. And the Management areas gain visibility on what is happening in the stores. They are able identify problems easily, establish new strategies and communicate actions and campaigns through these tools.

It is a decisive competitive advantage to have a technological tool that, analyzing the huge volume of information correctly, allows a comprehensive approach to the business and also being able to manage each of its edges: prices, promotions, space, assortment and supply.

We propose some business cases where the implementation of Prisma has contributed to improve profitability and address typical retail problems.

CASE #1:
Leading C-Store chain in Latin America

The largest C-Stores chain in Latin America needed to standardize and deliver agility to their pricing-decision process. In order to achieve this, we had to consolidate large volumes of data from ERP and market data sources. Our recommendation was to implement Pricing and Assortments modules, by establishing effective strategies relative to product segmentation and clients to improve pricing and store image.

Rapidly, using market and transactional data, we established store segmentation and SKUs sensitivities. Via filtering algorithms we found patterns in consumer behavior to fine tune the clustering. We implemented A/B testing to validate and invalidate business hypotheses such as if customers of highway C-Stores would pay more than downtown customers. Category strategies and roles were configured so that category managers could receive assortment and pricing suggestions consistent with each strategy, no matter who the user was.



By expanding the scope and the data from competitors, Prisma was able to improve the overall Price Image, avoiding insulting prices in Known Value items such as Dairy Products while increasing prices in Snacks and Candy with an overall result of 10% increase in Gross Margins. We managed to calculate the number of exhibition days per SKU per Store and aligned this value to suppliers lead times, reducing out of stocks and inventory levels by 20%.

The implementation was carried out successfully in just 3 months, which led to the expansion of the project in another 8 countries within LATAM.

CASE #2:
Important Fuel Retailer in Mexico



In 2017, the Mexican government deregulated the fuel market, enabling fuel retailers to make proactive decisions about prices and promotions. During the regulated context, in the largest fuel chain in this country, only 2 price analysts made a single decision per week dictated by the government authority and this was replicated in 500 Service Stations.

After deregulation: 80 new brands emerged, international brands were established, and an aggressive daily price check began. Therefore they decided to implement a powerful Price Optimization platform to address the new sophisticated and complex market.

First, an exhaust service station segmentation was carried out based on purchase occasion, intensity of competition and traffic flow. 250 diverse “trade areas” were defined in this process.

Then, a relevant competitor's classification was made based on the volume of sales and belonging to an economic group or international brand in order to establish differentiated strategies for them.

In parallel, it was necessary to develop an interface with the Department of Energy to automatically capture the prices of 12,000 stations throughout Mexico every day. We use Anomaly Detection algorithms to validate the quality of the information.

Differentiated strategies were defined by product and trade area, and we measured price sensitivity. As a result of the “Gasolinazo” protests, margin guidelines were defined to avoid damaging the company's price image.

Currently, the same 2 analysts follow Prisma's automatic suggestions to change the prices of the 250-trade area lists on a daily basis. After 6 months working with Prisma, the company doubled its EBITDA.

CASO #3:
Leading Home Appliances chain

One of the largest Argentinian chain of Home Appliances aimed to align its purchasing strategy with that of sales and distribution, and thus improve its income.

First, there was an internal liability problem: the Procurement department was simply in charge of buying products. Therefore, they did not consider the number of stores or the distribution, since once the product arrived at the Distribution Center, its responsibility ended. The consequence of this problem was that 32% of the inventory was without rotation; the merchandise accumulated in the stores and although it was not sold, stock was still being sent. In addition, there was a loss of power since many stores only received one unit, which was displayed and when it was sold, it ran out of stock.



The first action we took was a general diagnosis. By identifying opportunities in the Purchasing, Distribution and Stock model, we made improvements to the Database, in which the Stock, Sales, SKU and Stores data were combined to develop a comprehensive database. As a result, we were able to define the following KPIS: 32% of Immobilized Stock, 120 Days of Stock, and 50% In-Stock.

To be able to monitor these indicators, Prisma designed a Scorecard for Weekly Inventory Health Monitoring of purchases, stock and sales variables. Then we moved forward with the Redesign of the Supply process: a centralized manual operation with 2 analysts, we proceeded to an automatic model with 11 decentralized analysts.

In the second instance, we implemented the Assortment Planning module to improve the strategy at the store level. To do this, we continue with the optimization by Clusters: all of the 130 stores were grouped into 8 clusters. This assortment information was combined with the Inventory Health Scorecard.

Also, we incorporated the analysis of the Categories and the evaluation of the performance of the SKUs considering the information of inventories, sales, article master, layouts, and POGs in the Assortments module.

In effect, the economic results were immediate as Prisma provided a platform that assisted in an increase of sales by 7% and reduction of immobilized inventories by 22%

Although retailers and suppliers have been working correctly and efficiently until now, this will no longer be enough. Rules are changing or perhaps what has changed is the game: this requires a new value proposition.

In short, an investment in technology makes it possible to align, measure and manage the objectives of the company, be more efficient and productive, ensuring an optimal shopping experience and, finally, obtain greater profitability.

PRISMA is a B2B SaaS platform that provides Retailers with a proven process to optimize Prices, Promotions, Inventory, Assortment and Space within the same platform. Combining business rules with sophisticated machine learning algorithms, Prisma generates suggestions that help Retailers make better decisions and increase their profitability.

With over 15 years of experience in designing and devoloping solutions for retailers. We have a vast team of software engeniiers, data science specialists and experts in retail in general. Our agile implementation methodology and our Saas business model enable customers to utilize our platform and services with a low entry barrier.

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