

The Wisdom of the Crowd

There is a wonderful new concept which is being leveraged by leading marketers, planners and retailers called “the wisdom of the crowd”. Now, with the power of the internet, it is possible to monitor trends that show exactly what is happening in your retail sector - as they unfold.

The importance of this information for retailers should not be under-estimated. You only have to look at the success of Google, YouTube and Amazon to see how these businesses use the power of their “communities” to improve their service. The success of TradeMe is the best home-grown example of the incredible results that can be achieved when information from the masses is shared over the internet in a way that was previously impossible.

Demand-driven retailing

As a retailer you can harness the wisdom of the crowd to help you to be more responsive to customer demands. By recognising important trends as they emerge, you can ensure that your product mix, ordering, displays and staff knowledge are all optimised in advance – rather than waiting until after a change has occurred.

Responding more quickly to new customer demands is a key way of differentiating your specialty store from the larger, slower, discounters and supermarkets. Being smarter and more agile is exactly the sort of competitive advantage you need in order to thrive.

Imagine how wonderful it could be for product marketers to be able to see the sales impact of last night’s TV ad campaign in real-time!

Is the crowd always wise?

Every retailer believes “My store is different” and, to a degree, they are all right. But the differences between branches caused by local factors such as customer demographics, socio-economics and competitors are far less significant than most think. Detailed research has proven that these external factors are responsible for just 30% of the differences in performance within a nationwide retail chain or sector.

70% of your branch’s performance variations have internal causes due to you, your staff and your systems. This presents both a challenge and an opportunity for all retail chains seeking consistency. By continuously comparing your store’s results against the national benchmark, you can prioritise the most significant areas for improvement.

Manage the exceptions

Retail data is perfect for getting this sort of wisdom. There is lots of it, it is collected automatically, and it is well-structured due to the world-wide adoption of product barcodes. But mining this sea of data for the valuable nuggets of relevant information requires serious expertise and effort.

You don't need to know about all of the areas where your performance is consistent with the nationwide average. But you definitely do want to know when you are missing out on an opportunity to make more profit.

By tapping into the wisdom of the crowd and receiving automatic alerts advising your store when significant "exceptions" occur you can open up hundreds of opportunities to improve customer satisfaction and make more money.