

'Disruption is the New Normal.' Now What?

When the pandemic hit, an already powerful consumer refocused on new priorities, shifting purchasing behavior. Today, inflation and a recession add more chaos to the mix. Greg Petro, CEO, First Insight, continues his Summit panel "Inflation Meets Inventory Intelligence," with insights on how to make sense of it all.

— Sourcing Journal: What pandemic habits stuck and where do you see consumer behavior progressing in 2023?

Greg Petro: The supply chain crisis drove consumer mindset away from shopping for deals and toward concerns that they might not be able to get that item at all, at any price. Given that inflation is at a 40-year high, it is surprising that some retailers are back to their usual discount dependency. Inflation, inventory imbalance due to supply chain challenges, energy costs, and a potential looming recession are creating a hugely dynamic environment. To answer the question, "expect the unexpected" is the habit that has stuck. Retailers and brands need real-time customer data and insights to keep up with the pace of change and remain agile in an environment that will be constantly changing.

— How can companies make sense of all the consumer data they are gathering?

G.P.: I have said it before and it remains true, "data is ubiquitous, but insights are rare." Companies need to seek out solutions and partners with a

proven track record of providing predictive insights that drive clear actions and proven results. Many traditional forecasting and planning systems use historical data to predict future performance. After over two years of pandemic and economic turmoil, relying solely on historical data sets to inform decisions is foolish. These systems must be complemented by proven listening platforms that leverage real-time, forward-looking customer input to provide actionable insights supporting better business decisions.

— What are you predicting this holiday season?

G.P.: Based on what we've been hearing in major retailers' quarterly reports and on the current state of consumer confidence, which cratered this summer, we shouldn't bank on significant retail growth this holiday season. Having said that, it does appear that this holiday season will be ok. Inflation remains a key challenge. Businesses and consumers should closely watch current metrics for what has happened in the economy and try to anticipate what may be next. That's where predictive customer listening platforms come in. The final sprint of the retail year will be just okay. Larger challenges will emerge in 2023.

— How are retailers dealing with all the excess merchandise? How bad will markdowns get?

G.P.: The inventory glut is getting ugly. Walmart and Target have been speaking about bloated inventories since the second quarter, when they reported increases of 32 and 43 per-

cent, respectively. More broadly, the Census Bureau's index of retail inventories to sales ratio hit a three-year high in July, since just before the pandemic shutdown began. It will be imperative that retailers and brands set the first markdown or promotional price right. As the tried-and-true retail adage says, the first markdown is the cheapest. In this dynamic market, the challenge and the opportunity lie in knowing where prices can be maintained and where to cut—and by how much—to sell through excess inventory.

Retailers and brands need a pricing solution to help them set promotions properly and be ready for demand shifts. Otherwise, they are doomed to perpetuate the inventory bullwhip and feel its ongoing effects.

"Expect the unexpected"

— When it comes to predictive analytics, what is the hardest nut to crack?

G.P.: Ironically, given the pace of consumer change, the biggest challenge for retailers and brands in implementing predictive analytics is often embracing and executing change while trusting the data. The most successful companies are bringing proven predictive analytics platforms alongside their processes and systems to make their people better at what they do and empower them to make better business decisions especially in the area where they have the most control—pricing.

MAKE PRODUCT & PRICING DECISIONS WITH CONFIDENCE

First Insight's digital product testing platform helps retailers and brands make the right product decisions with data-driven confidence.

Experience Management
Powered by Voice of the
Customer Predictive Analytics

LEARN MORE AT
WWW.FIRSTINSIGHT.COM

 **FIRSTINSIGHT**

