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How SAP Predictive Analytics is changing the game for retail

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Predictive Analytics
on the Fly:Let Your Data Soar!

Predictive analytics have been a mainstream retail IT activity for at least a decade. Applying complex mathematical algorithms to patterns in customer behavior, product sales and other key performance indicators is widely recognized as an important means of staying ahead of, or at least abreast of, the competition.

But performing predictive analytics has always required retailers to aggregate granular pieces of data into larger cubes, a process that can delay the timeliness of the data being analyzed and also obscure the ground-level view of what is happening in the enterprise. Not anymore.

Thanks to advanced computing engines, such as the cloud-based SAP HANA real-time business platform, which converges database and application platform capabilities in-memory, retailers can now analyze Big Data in granular format, in real time. Data from divergent sources, such as POS, social media, loyalty programs, pricing and inventory sell-through, can be collected and analyzed in real time to model predictive forecasts that are granular to the level of pinpointing what SKUs are selling in what locations at what time of day.

Rather than having to arrange the organization around sterile customer statistics, such as gender, ethnic background or household income, retailers can start to arrange the organization around the processes that give the customer what they need, when they need it. The vast majority of customer purchases are functional and task-driven, as opposed to driven by demographic characteristics. Retailers equipped with real-time granular predictive modeling capabilities can drill down to the issues customers need resolved and provide an experience that lets them resolve those issues as effectively and quickly as possible.

Thus rather than gathering similar pieces of data over a period of time and aggregating them into a generic statistical representation (known as a cube), retailers can build much more accurate and timely predictive models using actual data.

Although SAP predictive analytics users can analyze data from any static data source (such as Excel files) or vendor database, it's worth noting that HANA's speed of analytics allows SAP users to perform predictive analytics at a rate 3,000 times faster than analytical platforms from SAP's competitors, enabling significant competitive advantage. And in addition to providing exponentially stronger processing power, in-memory data storage is also much more cost-efficient than storing data in traditional databases and data warehouses.

In this manner, the business application itself becomes the algorithm. Thus SAP predictive analytics allow retailers to reorganize their predictive modeling on the fly, obtaining insight on the things that matter when they matter most. ■

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