



First Insight's Greg Petro on the Wisdom of Crowds

By Evan Clark from WWD
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Retailers have more data points on their consumers than ever before.

But it's hard to understand.

Petro said retailers could cut through the clutter, but if they wanted to really understand their customers better, they would have to learn how to listen. "Data is ubiquitous, but insights are rare," said Greg Petro, President and Chief Executive Officer of retail-focused predictive analytics firm First Insight Inc. "It's what's in the data and how you act on it."

Social media platforms, he suggested, were designed for listening, not broadcasting and could help retailers get a better feel for what their customers are thinking. He also noted that technology could be used to separate the signal from the noise.

The stakes are high for retailers and brands.

"Less than 40 percent of new products that you're launching

are successful, commercial successes," Petro told the retail and brand executives gathered for the WWD CEO Summit, citing First Insight research. That was relatively uniform across fashion, with the success rate standing at 38 percent in women's, 37 percent in men's and 41 percent for footwear and accessories.

And much of what retailers are already selling could be sold for more.

"Ten percent of all products can carry a higher price," Petro said. "That means you're leaving margin on the table. They way you see it is out of stocks."

Petro recalled advice he received when he started out in retail: "It's a really simple business, buy less of the bad stuff and more of the good stuff."

One strategy to do just that is to tap into what he called the "wisdom in crowds."

By way of example, he pointed to how contestants on "Who Wants to be a Millionaire?" used their various "lifelines" when they were stumped by a question.

Given a multiple choice question, contestants could eliminate two of the wrong answers, leaving them a 50 percent chance of answering the question correctly. That lifeline helped, as one might expect, half the time. The second lifeline allowed contestants to call a friend, an option that worked 65 percent of the time.

But the best lifeline option was an opportunity to poll the crowd. That worked 91 percent of the time, even as the questions grew harder.

"In the crowd, there are experts," said Petro, urging retailers to find the experts in their own organizations and among the customers and to listen to their advice.