

INTELLIGENT COMMERCE

RETAIL DATA MANAGEMENT HEADACHES & SOLUTIONS

Challenges in Data Management for Retailers

Introduction

Epicor commissioned IHL Group to complete an anonymous study of small and medium retail businesses to understand technology plans, technology and operational pain points, and how they view their current operational challenges in hopes of better understanding which technologies are defining their operations for the next several years. This research covered a number of topics including sales and profit growth, changes in channels used to reach consumers, inventory and supply chain, data management, and the differences between cloud and on-prem systems.

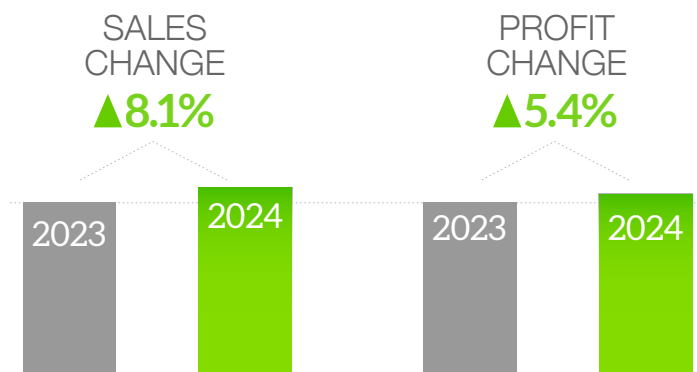
What is clear, there are significant differences between those who are thriving and those who are struggling. Together, we aim to provide the reader with compelling insights on current trends, challenges, and opportunities within the retail sector as well as an in-depth exploration of the transformative power of AI and technology in retail. Along the way we share which technologies that are moving the needle and those that are not.

DEMOGRAPHIC OVERVIEW

The study focuses on small and medium retailers with annual sales ranging from \$2 million to \$500 million. Within this group, key segments include hardgoods retailers such as home centers, home goods, nurseries, farm feed and supply, gift and novelty, office supplies, pets, sporting goods, thrift and cosmetics and beauty stores.

Looking at the distribution of the respondents, 37% of the retailers operate fewer than 10 stores, another 38% manage between 11 and 50 stores, and 26% oversee more than 51 stores.

One of the key metrics examined is the change in sales and profitability in 2024. Overall, our survey respondents the year was solid but not spectacular with an average sales increase of 8.1% and a profit growth of 5.4% for the year (not discounting inflation).



DISTRIBUTION OF RESPONDENTS

Source: IHL Group



INCREASED TECHNOLOGY INVESTMENTS

Technology has become an indispensable tool for retailers aiming to stay competitive. AI has emerged as a game-changer, providing retailers with the ability to harness vast amounts of data to make informed decisions, predict trends, and personalize customer interactions. This has led to increased efficiency, reduced costs, and improved accuracy in various processes. It is a force multiplier for retailers small and large.

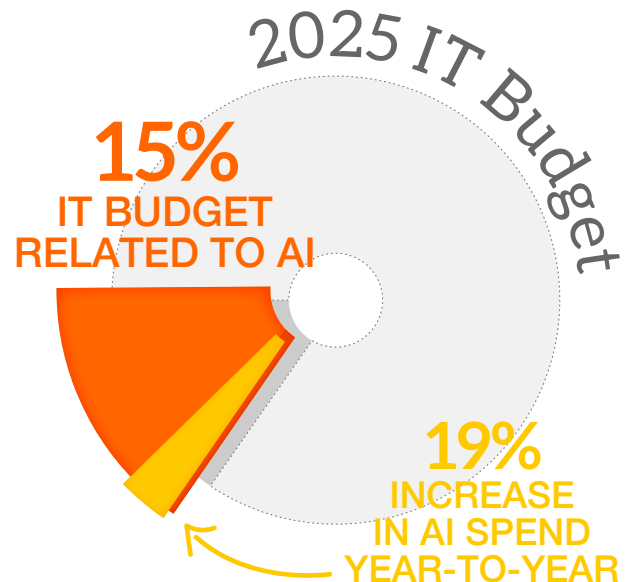
The significance of AI in retail is underscored by the growing allocation of IT budgets towards AI-related initiatives. On average, 15% of the IT budget in SMB retailers in 2025 is being allocated to AI-related expenses up from 0% just two years ago. Moreover, the average AI Budget in total spend is increasing 19% in 2025.

As we will see that the desire for the use of AI in widespread adoption is not without speed bumps. Data inconsistencies and staff hesitation are just two that were reflected in the results and few retailers have yet to see consistent significant results.

KEY DEFINITIONS: SALES AND PROFIT LEADERS VS. LAGGARDS

To provide a clearer understanding of performance metrics, the survey contrasts the technology behaviors of retailers who are winning (leaders) and those who are struggling (laggards) to see if there are defining technology differences. Specifically, we discuss Sales and Profit Leaders and Sales and Profit Laggards. Sales Leaders are those retailers who achieved a sales growth of 10% or higher in 2024, while Sales Laggards experienced flat or negative sales growth. Similarly, Profit Leaders are defined as retailers with a profit growth of 10% or higher, whereas Profit Laggards had flat or negative profit growth.

These definitions help to contextualize the data and allow for a more nuanced analysis of the factors contributing to success or challenges faced by different retailers.



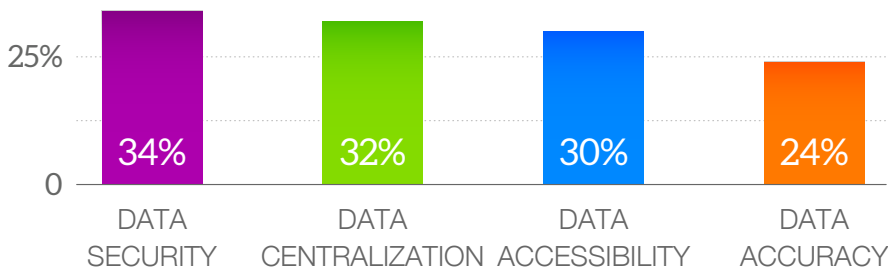


Key Challenges of Data Management

When it comes to this new age of AI, effective data management is paramount for achieving operational efficiency, enhancing customer experience, and driving profitability. However, many retailers face significant challenges in managing their data. These challenges, if not addressed, can hinder their ability to make informed decisions and remain competitive in the market.

TOP DATA CHALLENGES FOR INVENTORY & SUPPLY CHAIN

Source: IHL Group



DATA SECURITY

As data breaches and cyber threats are becoming increasingly common, data security is a top concern for retailers. Interestingly, 34% of retailers cited data security as a challenge, with sales laggards being 46% more likely to cite as a key issue. Data security is table stakes today, particularly with customer information. Nothing erodes consumer trust faster than a data breach.

DATA CENTRALIZATION

Data centralization is another major headache for retailers. Ensuring that all data is collected, stored, and accessible from a single version of the truth is required for streamlined operations. However, 32% of retailers reported challenges with data centralization. This issue is particularly pronounced among those using on premises POS systems, who report 46% higher issues with data centralization than those using cloud retail management systems. Retailers with annual sales between \$100 million and \$500 million were 47% more likely to mention data centralization as a key business challenge, indicating that as companies scale, centralizing data becomes increasingly complex. On the other hand, sales winners are 97% *less* likely to face data centralization challenges than sales laggards underscoring the critical importance of a single version of the truth for your data.

Sales Winners are

97%

less likely to be
dealing with data
centralization issues.

DATA ACCESSIBILITY

Easy data accessibility is also crucial for timely decision-making and responsiveness to market changes. However, nearly a third (30%) of retailers in our study identified data accessibility as a key challenge. Like the data centralization challenges, the issue is even more pronounced for retailers using on-prem POS systems, who report 125% higher issues than those using cloud systems. Further Profit winners are 37% more likely to say data accessibility is not a challenge, contrasting sharply with profit laggards, who are 45% more likely to identify it as a significant issue.

DATA ACCURACY

Finally, on top of centralization and accessibility, retailers often also struggle with maintaining data accuracy, which is crucial for inventory management, customer insights, and overall business strategy. According to our survey, 24% of retailers identified data accuracy as a significant challenge. Honestly, we were surprised the data here was not higher. IHL research has shown getting to cleaner and more accurate data was a top priority for the last several years. This is even more crucial in the age of AI.

Those using **on-prem only** POS report **125% higher level of issues with data accessibility** than those with cloud-based retail management systems.

Source: IHL Group



Impact of Data Management Challenges on Retail Performance

The survey results are quite clear. Challenges in data management have a direct impact on retail performance. Retailers who effectively address these issues are more likely to emerge as sales and profit winners. While not earth-shattering news, sales winners in our study reported they were 97% less likely to have data management challenges, indicating a strong correlation between effective data management and sales success. Similarly, profit winners are more likely to have addressed data accuracy and accessibility issues, which are critical for making informed strategic decisions.



Strategies to Overcome Data Management Challenges

To navigate these data management challenges, retailers must adopt effective strategies and solutions. Here are some recommended approaches.

Retailers should invest in advanced data management systems that offer robust features for data accuracy, centralization, accessibility, and security. Often these are cloud-based solutions that integrate all functions together, thus making the process easier. These systems should integrate seamlessly with existing POS systems to minimize data silos and ensure a unified view of all data.

Conducting regular data audits can also help retailers identify and rectify inaccuracies, ensuring that the data remains reliable and up to date.

Ensuring that employees are well-trained in data management best practices is also critical. We get it, it's hard enough to get good associates and keep them. But retailers should provide ongoing training to help staff understand the importance of data accuracy, centralization, accessibility, and security. This will empower employees to contribute to effective data management and mitigate potential issues.

Further, retailers must implement strong data security measures to protect against breaches and cyber threats. This includes using encryption, firewalls, and regular security assessments to identify and address vulnerabilities.

Finally, AI-driven solutions can help automate data collection, processing, and analysis, reducing the likelihood of human error and enhancing overall efficiency. Retailers should explore AI-driven tools and platforms that can help them overcome data management challenges and stay competitive.

These challenges in data management are multifaceted and impact various aspects of operations. Retailers who proactively address these data management headaches will be better equipped to make informed decisions, improve customer satisfaction, and achieve sustainable growth in today's dynamic retail environment.

37% of SMB retailers cite **data security** as one of the main **key data management headaches**.

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