

Data-Centric insights Help Retailers, Restaurants Improve Resilience and Achieve Better Insurance Outcomes

As they recover from a difficult 2020, retail and restaurant companies should leverage data to become more resilient and improve property renewal outcomes.

“ Properly collected and analyzed data can help identify vulnerabilities.



A pandemic, civil unrest, a record hurricane season: Last year's numerous challenges underscore the need for organizations to expect the unexpected and be prepared to respond. The need for restaurant and retail companies to quickly overcome adversity has become extremely pronounced.

As businesses continue to recover from the events of 2020, they should remain focused on becoming more resilient to a wide spectrum of potential risks, ranging from environmental risks, like natural catastrophes, and economic and regulatory conditions linked to the continued fallout from COVID-19 to social and political change, such as civil unrest and geopolitical crises.

Resilience Requires Data-Based Insights

The path to building resilience starts with identifying critical resources that support the delivery of products and services and potential vulnerabilities. While retail and restaurant companies typically possess large amounts of information, including details about their supply chains and physical properties, many are still grappling with accessing, aggregating, and analyzing the data to derive insights into vulnerabilities.

One challenge is that data is often spread across different departments and locations. Even when risk managers know what information is available and where it is located, they are often faced with data that has been captured using diverse methodologies or by different individuals and not based on uniform criteria. Such inconsistencies make company-wide analyses geared towards identifying risks difficult.

Because many retail and restaurant companies tend to have numerous properties and a relatively high turnover, keeping accurate details on each location can be challenging. But when meticulously collected and properly analyzed, data can help organizations identify critical vulnerabilities and address challenges before they become costly problems.

Let's take the example of a restaurant chain with a large purchasing department. Although the company sources a particular ingredient from several manufacturers, analysis of geographic data reveals that the majority of suppliers are located in one region. Any peril — whether geopolitical tension or a natural disaster — that disrupts the [supply chain](#) in that region can leave the restaurant company scrambling to source an alternative, potentially at a much higher cost.

Transforming raw data into analysis and then insights requires collection, aggregation, analysis, dissemination, and application. While the path is generally universal, companies today have access to a plethora of tools that can assist with these steps.

Data visualization tools, in particular, can help display the results of analysis in a visually appealing and easy-to-comprehend manner. Following the age-old adage that a picture is worth a thousand words, graphs, tables, charts, and dashboards can help organizations rapidly interpret and report the analytical results of their data journey, making it easier than ever to then apply that analysis to business decisions.

Other tools can assist with collection and aggregation, especially when companies need to tie their data to external sources. Take, for example, public health [metrics related to COVID-19](#). A retailer might overlay their locations and sales projections against known COVID-19 hotspots or maps outlining varying levels of government restrictions to understand how in-person sales might differ across regions.

Location-Specific Analysis Crucial

In a fast-moving industry, monitoring and analysis of risk should be continuous. Because the same event can affect a company differently depending on where it happens, this analysis needs to take into account location nuances.

Let's take the example of a retail company with stores scattered across the country. Analysis of its properties identifies problems related to a weak roof structure at a percentage of properties and poor sprinkler coverage in several others. More in-depth analysis shows that two of the company's top three revenue generators are adjacent to zones with a high wildfire risk and have poor

sprinkler coverage, while all locations with weak roof structure are in areas of low natural catastrophe risk. This information can allow a risk manager to conclude that prioritizing fixing the sprinkler coverage issues at the two top revenue locations would be a wise allocation of the organization's resources.

Insights Crucial for Successful Insurance Discussions

Insurance pricing continues to [trend upward](#) and terms and conditions continue to tighten. Underwriters are carefully reviewing submissions and asking more questions than ever before. And they are expecting responses grounded in solid data that underscore a company's ability to withstand shocks.

As underwriters ask more questions, insureds are expected to quickly provide quality data that accurately details the physical attributes of each property in their portfolio, including information about the time and cost to rebuild a property. Data surrounding risk engineering and safety standards — including, for example, the type of insulation used or the condition of sprinkler systems — can provide a better picture of individual properties' risk profiles. Information included in submissions should be both comprehensive and verifiable, based on sound methodology.

Further, property underwriters are expressing special interest in organizations' efforts to improve their business continuity plans and remain operational in the face of new challenges. For example, demonstrating the ability to get crucial supplies during and following a crisis may improve a company's standing during renewal discussions. Underwriters are taking note of submissions that are grounded in data when making pricing determinations and are typically more willing to take on such risks.



**Data insights
can help leaders
prioritize limited
resources for
optimal gains.**

Location, Location, Location

Locations generating the most revenue tend to suffer the biggest losses because downtime tends to cost more than it does for others. But even small locations, which typically make up the majority of restaurant companies' portfolios, can contribute to substantial losses. Smaller sites tend to struggle with more frequent losses, leading to a higher aggregation of costs.

Because of the risk of attritional losses, underwriters typically ask for information about mitigation plans, such as for water damage, for all locations. This makes it imperative for retail and restaurant companies to collect information about every site in their portfolios.

Companies often scramble right before renewal meetings to collect the necessary information. Instead of treating data collection as a one-time exercise, companies should put in place

a data management system that is continuously collecting and analyzing information. Not only can this method allow for a more streamlined renewal process, but it may help retail and restaurant companies identify new risks that can be quickly addressed.

Having accurate data about each location and its potential exposures can also help companies purchase the coverage that best meets their needs. This may be especially pertinent for business interruption coverage that requires careful analysis to determine the extent of potential losses to be insured.

Thorough data-based analysis of risks can help retail and restaurant companies determine the amount of risk they want to retain and how much coverage to purchase. And during a difficult market cycle, organizations can leverage data-based insights to differentiate their risk, achieve better pricing and terms, and limit declinations by carriers.



A data-driven risk management strategy that continuously collects and analyzes information can make renewal submissions more seamless.



This briefing was prepared by Marsh's Retail/Wholesale Practice, with contributions from Marsh's Property Practice, Marsh Advisory, Risk Consulting Services, Emerging Risks Group, and Forensic Accounting and Claims Services.

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