

IBM Cognos Financial Merchandise Planning Blueprint

**ALIGN MERCHANDISE
PLANS WITH CORPORATE
STRATEGIES, CONSUMER
DEMAND**

COGNOS®

AN IBM® COMPANY

Meet demand, manage margins

Retailers face an environment of changing demographics, fickle consumer preferences, and pressure on margins. To meet market demand, chains require a differentiated assortment of goods for their channels in the right quantity at the right price.

Success depends on effective merchandise planning practices and analysis of results against plans. Collaboration is key: all parts of the organization should be working towards a single set of financial objectives and business goals. That means coordination of merchandise, finance, marketing, and operational plans.

To help retailers improve performance, Cognos, an IBM company, offers the IBM Cognos Financial Merchandise Planning Blueprint. It enables them to accurately plan merchandise sales, margin, gross profit, and stock by division, channel, department, or category. So they can increase revenues and margins, differentiate products, improve inventory turnover, protect profits – and satisfy customers.

“Without plans retailers cannot effectively control spending, inventory levels, or plan purchases. Purchasing should be controlled – based on sound financial plans to ensure desired profitability and satisfactory cash flow.”

– Martec

International



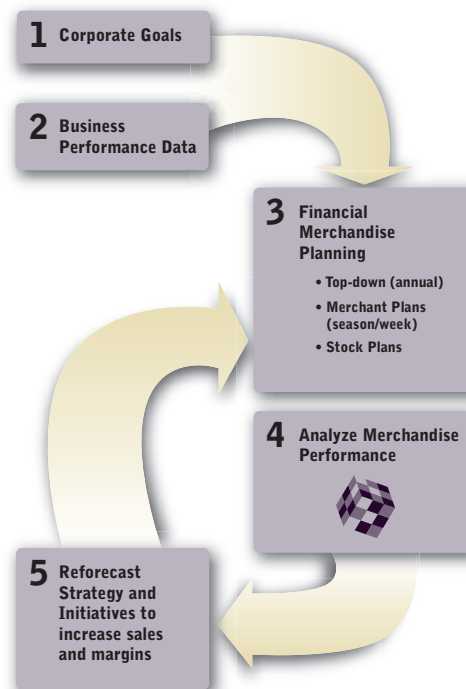
Cognos financial merchandise planning

The Blueprint gives merchandise executives and planners a single tool for merchandise planning. They can measure performance, do ‘what-if’ modeling, develop pre- and in-season plans, and coordinate merchandise and financial plans to meet company goals that satisfy market needs.

Best-practices, built-in workflow, powerful modeling, and exception-based planning capabilities give retailers an easy-to-use, seamless process for financial merchandise planning.

Going well beyond the capabilities of a spreadsheet-based system, the Blueprint offers simplified and streamlined planning, forecasting, analysis, and reporting functionality. It delivers an intuitive top-down and bottom-up planning and reporting environment.

Financial Merchandise Planning Process



The Blueprint enables top-down target setting so retailers can:

- Develop annual merchandise sales and gross profit plans for divisions or channels.
- Use historical information to establish targets for key metrics: returns, markdowns, promotions, shrinkage, and supply chain costs.
- Conduct ‘what-if’ analysis, and model the impact of changes in sales and costs.
- Manage year-over-year shifts in floating holidays (by week) through Calendaring Assumptions, which adjust previous year sales, margin, and profit data to reflect current year calendar.
- Perform meaningful year-over-year comparisons and projections.
- Spread top-down targets across departments or categories.
- Gain consensus between financial and merchandise targets.

The Blueprint enables merchant planning so chains can:

- Create pre- and in-season department or category level plans by week for areas such as sales, returns, markdowns, gross margin, supply chain costs, and gross profit.
- Manage basic and seasonal stock. Set assumptions that determine the percentage of stock that is seasonal and basic throughout the season.
- Adjust line items through exception-based planning.
- Conduct ‘what-if’ analysis, and model the impact of changes in sales and costs on profits.

More blueprints

Cognos also provides other Blueprints to help retailers align strategy with execution and drive better performance:

- *IBM Cognos Store Operations (P&L) Blueprint.* Provides integrated financial planning capabilities, allowing retailers to perform collaborative store-level revenue and expense planning. It ensures that individual store plans are in line with corporate targets.
- *IBM Cognos Store Development Blueprint.* Lets retailers understand what store development projects deliver the highest business benefits, best returns, and greatest support for corporate objectives. Chains can define initiatives for new stores, upgrades, or remodels; develop financial plans; apply initiatives to regions, stores, or groups of stores; and communicate initiatives to store managers.
- *IBM Cognos Promotion Planning Blueprint.* Helps chains allocate top-down marketing spend and optimize effectiveness and return for both retailer- and vendor-funded promotional activities. This enables retailers to improve marketing effectiveness and drive higher returns on campaigns.

These pre-built solutions provide integrated planning that links finance, operations, marketing, and merchandising to ensure all departments are working towards common business objectives and financial goals.

Blueprints are developed by the Cognos Innovation Center for Performance Management in collaboration with some of the world's largest and most successful chains.

For more information, visit:

www.cognos.com/solutions/industry/retail

The Blueprint enables strategic stock planning so retailers can:

- Model and plan inventory requirements and value at retail and at cost: beginning inventory, gross sales, returns, receipts, markdowns and promotions, closing inventory.
- Manage basic and seasonal stock using assumptions that determine the percentage of stock that is seasonal and basic throughout the season.
- Conduct 'what-if' analysis, and model the impact of changes in sales, margins, and stock levels on profits.
- Account for markdown and promotion impacts, and apply them to specific percentages of inventory on-hand. Supports multiple types of markdowns (such as competitive, mid-season, or clearance) that reduce stock value; and multiple types of promotions or temporary price reductions (such as weekly ad specials) that reduce the value of margin.
- Calculate key metrics:
 - Average Inventory Value
 - Sales to Stock Ratio
 - Inventory Turnover Rate
 - Mark-up Percentage
 - Cost of Goods

Other features:

- Visual dashboards and reports provide organization-wide visibility into merchandise performance – against plans or previous years' results, and across divisions, channels, departments, or categories.
- Rapid re-forecasting capabilities allow chains to adjust merchandise plans on-the-fly based on sales, costs, and inventory levels.
- Immediate consolidation of plans reduces planning cycles and allows chains to react quickly to changes in market conditions, consumer buying habits, and trends.
- Embedded workflow functionality helps drive collaboration and accountability, while streamlining the approval and monitoring process.

Built on Cognos performance management

The Blueprint is comprised of Cognos enterprise planning and business intelligence. IBM Cognos 8 Planning is a Web-based, high-participation solution for modeling, planning, budgeting, and forecasting. It lets management define the process, models, and content required, and then distribute pre-populated, Web-based templates to data contributors across departments.

Contributors supply required information, with access to views that are specific to their job area. IBM Cognos 8 Planning helps retailers achieve consistent operating performance through highly collaborative, real-time planning.

By integrating with IBM Cognos 8 Business Intelligence, the Blueprint gives retailers the power to publish reports and conduct analyses based on critical information such as past period sales, margins, budgets, and gross profit.

IBM Cognos 8 Planning collects more information from more people more often. Combined with BI, it gives managers more time for analysis and better-informed decision-making.



The Cognos solution strategy links store and channel operations, marketing, and merchandising with finance and executive management so that all parts of the organization are working towards a single set of business goals and financial objectives

Drive performance through planning, analysis, and reporting

The IBM Cognos Financial Merchandise Planning Blueprint uses a sophisticated, bi-directional calculation engine for setting top-down targets; spreading targets across seasons and weeks, departments, and categories; gaining consensus on top-down and bottom-up plans; and managing the financial impact of changes in revenue, costs, margins, and stock levels.

It uses the Web to enhance data collection and performance measurement, and makes it easier to do what is most important – plan for higher return on inventory investments, sales, and gross profit. And the Blueprint provides access to powerful reporting and administration tools designed for all levels of users.

Planning prerequisites

Scalability. Blueprints fit retailers of any size or format. The Web-based design and attention to bandwidth economy make for an easy roll-out to marketers, merchants, and buyers throughout the enterprise.

Flexibility. A company shouldn't change its structure to fit an off-the-shelf system. Blueprints are flexible enough to fit any business. Companies of all sizes use Cognos solutions for planning, reporting, analysis, scorecards, and dashboards.

Compatibility. Blueprints capitalize on existing technology investments and extend the value of in-place transactional systems. They also share information with other solutions, such as financials, and readily accommodate future growth.

Web-based planning. IBM Cognos 8 Planning helps companies model, plan, analyze, manage, and control retail resources efficiently and cost-effectively.

Easy data access and manipulation. The centralized database and powerful calculation engine is designed to support rigorous analysis, consolidating multiple data sources – including point-of-sale and financial data – into one environment and providing users with the information they need to optimize planning and operations.

Powerful reporting and analysis. IBM Cognos 8 Planning offers visibility into operations and development activities and seamless access to data from multiple sources, facilitating reporting, analysis, and scorecarding to monitor vendor compliance and financial performance, and to improve decision-making.

High IT value. At the back end, IBM Cognos 8 Planning uses common technology standards. At the front end, its network-friendly architecture minimizes network traffic, while its choice of Web or Excel interface means easy deployment and maintenance with minimal end-user training.

About Cognos, an IBM company

Cognos, an IBM company, is the world leader in business intelligence and performance management solutions. It provides world-class enterprise planning and BI software and services to help companies plan, understand and manage financial and operational performance. Cognos was acquired by IBM in February 2008. For more information, visit <http://www.cognos.com>.

Cognos, an IBM company, is a recognized leader in delivering performance management software for the retail industry. In fact, hundreds of restaurant and retail chains around the world use Cognos to optimize their business.



For more information

For more information on Cognos solutions for retail companies, please visit www.cognos.com/retail



Request a call

To request a call or ask a question, go to www.cognos.com/contactme. A Cognos representative will respond to your enquiry within two business days.