

# Selecting the Right Retail Planning Solution



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# Introduction

Blurring segments, sophisticated markets, technology innovation, regulatory requirements—the current business environment doesn't accommodate slow decisionmaking. How to stay ahead? In an ideal world, organizations engage a dynamic, integrated planning model to guide their decisions and performance, one that allows them to quickly adapt and evolve as needs and challenges arise.

In reality, many retail businesses chains are constrained by spreadsheet-based planning processes. Or base their forecasting and budgeting on disconnected point solutions. In the face of a volatile and competitive marketplace, can an organization drive the business with inadequate planning tools? Likely not.

That reality is leading more and more retailers to evaluate the merits of enterprise planning solutions. Enterprise planning allows retail businesses to establish corporate and financial goals, and turn strategy into discrete plans and budgets across functional areas—stores, channels, merchandising, marketing, and distribution operations.

IBM Cognos 8 Planning offers capabilities for planning and managing performance; assessing alternatives and scenarios; monitoring actuals; and analyzing results from multiple perspectives. Cognos also provides a platform for quickly communicating changing goals and expectations to the organization, helping close the loop between business measures and business action.

This software selection guide provides some key factors to consider as you evaluate enterprise planning solutions, and it makes the business case for Cognos as the best-in-class performance management system provider.

*“A lot of retailers have concluded that it's time to stop using spreadsheets, and start using enterprise planning tools.”<sup>1</sup>*

<sup>1</sup> Cathy Hotka. *Seven Steps to Performance Management*. Retail Industry Leaders Association. December 2005.

## Maximizing collaboration and efficiency

In the past, retail planning was a lengthy, centralized process—done by the few for the many. Especially with spreadsheet-based planning, broad participation and collaboration would have been unthinkable.

But with the advent of IBM Cognos 8 Planning, this kind of participation is possible. Instead of a few corporate planners or controllers laboring for months over an annual plan, hundreds or thousands of people can contribute via the Web. This gives your plans, budgets, and forecasts the accuracy and granularity that only the frontline people can provide.

Plans can be deployed at any level: departments, distribution centers, divisions, regions, districts, or stores. This increases participation and buy-in, and provides accountability. And melding top-down and bottom-up processes ensures company-wide consistency, supported by appropriate detail.

As well, integrated workflow automatically manages and consolidates plans. It provides a visual scorecard for managers to easily determine the status of the planning process so action can be taken to improve the work.

## Modular design

Managing complex business problems is easier if you can break them into logical, manageable components. IBM Cognos 8 Planning uses a series of modular cubes and connects them with intelligent links. This allows organizations to easily manage change and cope with shifting business requirements. And compared to creating one monolithic plan, this approach helps reduce IT system and support overhead.

With Cognos, several individuals or teams can collaborate to develop a model across functional areas using common definitions. An expense plan and a revenue plan might be linked to create a profit-and loss plan. At the same time, changes that affect only the expense plan do not have to affect the people and processes associated with the revenue plan.

For example, controllable expenses like supplies, repairs, and maintenance can be planned at the district or store level. While non-controllable expenses like credit card fees can be planned at the corporate level and automatically allocated to the stores based on prior-year actuals or other profiles. These divergent, yet interrelated plans can then be linked to an overall P&L plan for the store.

Common metadata components provide further optimization. For example, you may need to adjust portions of your model because of a staffing increase. Rather than updating headcount information in several places, the change is only made once and the new data automatically populates all cubes that refer to it.

## Broad user adoption

The Cognos Web-based platform lets users access information with only a browser. It simplifies your environment, while promoting the highest levels of user adoption:

- The simple point-and-click interface lets users model highly complex business environments and create and change models without relying on IT.
- Menus and file names are displayed in many local languages or using any currency. Currency rates may be global, local, or tied to specific accounts or elements within a planning model.
- Administrators across the organization control their part of the plan and can change data structures, user access rights, or model parameters to ensure timely and accurate plan creation.
- With its add-in for Excel, IBM Cognos 8 Planning offers a convenient alternative to its intuitive browser interface, enabling everyday users and spreadsheet users to work in the environments most familiar to them.
- No end-user complexity translates into a lower cost of ownership and higher customer satisfaction.

*The bottom line:* To maximize collaboration across the enterprise, planning software should be scalable, integrated, modular, and easy for people to use. It should also provide common definitions and metadata to maximize planning efficiency.

*“Few companies are satisfied with their budgeting and planning process. The process takes too long and, once completed, provides insufficient value for improving business performance. Additionally, the process is not dynamic enough to respond to changing conditions. Clearly, organizations are not attaining value from planning and budgeting processes and turn to technology to:*

- *Improve the efficiency and timeliness of budgeting and planning to support more frequent update and forecasting cycles.*
- *Integrate detailed budget versus actual results to facilitate management reporting and decision support.”<sup>2</sup>*

<sup>2</sup> Kathleen Wilhide. *Business Performance Management and Business Intelligence Converge: The Evolving Technology Landscape*. IDC. April 2006.

## Powerful business modeling and calculation

Instead of providing a solution that you have to adjust to, IBM Cognos 8 Planning adapts to suit your organization and business environment.

You can create your own business rules and structures in the planning architecture, then modify your model as the organization evolves. The software accommodates changes such as new store openings or promotional initiatives, and restructured cost centers. Models are built in days—not months. And you can import data definitions from sources like ERP or general ledger systems to further accelerate the process.

The powerful modeling capabilities provide the flexibility to devise, compare, and assess alternative business scenarios, conditions, cases, and assumptions. And since IBM Cognos 8 Planning is designed for finance professionals by finance professionals, you don't have to get in the IT queue for changes to be made to any model.

### Real-time aggregation, real-time insight

Enterprise planning software must not only reflect and support the real-time nature of today's retail operations, it should drive them. Using real-time aggregation, IBM Cognos 8 Planning can automatically consolidate and roll up plan and budget contributions, and instantly update an entire model. No nightly batch consolidation processes are required.

Consider two alternatives:

- With many other solutions, once a contributor changes a plan or forecast and submits it, a manager can't review those changes until after the next batch consolidation is complete—a process that typically takes several hours. There's no realtime decision-making.
- With IBM Cognos 8 Planning, a contributor can make changes locally and submit results. In real-time, contributions roll up and are available for a manager to review, approve, or reject.

Everything proceeds at the pace of the quickest participant, rather than the slowest. There's no waiting for the last person to submit information before consolidating—visibility into changes is immediate.

*The bottom line:* Planning software should let you quickly build models the way you want—based on your business environment, rules, and requirements. It should also provide real-time aggregation and consolidation. It's the difference between updates in seconds and updates in hours.

## Less time on process, more on analysis

Most planning solutions are designed to project annual revenues and expenditures, not provide the more frequent insight needed to make strategic decisions or implement new initiatives.

The high-speed, bi-directional calculation engine in IBM Cognos 8 Planning lets you quickly evaluate models and test assumptions to support informed business decisions. It eliminates unproductive spreadsheet activities like tracking down numbers, fixing broken links, and debugging macros. Instead, it enables real-time information flow for flexible rolling forecasts and greater visibility into operating performance.

The unique break-back capability automatically spreads high-level, top-down targets across any profile—like previous-period actuals or projected seasonality—across multiple dimensions such as store and department hierarchies, zones, or time periods without needing to define special business rules.

IBM Cognos 8 Planning also uses multidimensional lists to support planning and reporting requirements. This makes it easy to compare and manipulate data across multiple dimensions, perspectives, or versions. For example, you can compare targets among regions and stores with current and historical actuals and with external benchmarks to quickly establish their viability and consistency.

## Forecasting and what-if modeling

What-if modeling allows managers to model the financial impact of business decisions and determine the best approach. Analysis includes new business scenarios, initiative planning for key strategies, and modeling the financial impact of business options.

The rapid consolidation of plans also reduces planning cycles and allows retailers to move to rolling forecasts that better suit the dynamic nature of the industry. Timely re-forecasting allows the business to adjust to external factors such as business disruptions, consumer demand, competition, or economic changes.

*The bottom line:* Planning software should support strategic decision-making. Look for sophisticated features like break-back and multidimensional slicing and dicing that allow you to evaluate models and test assumptions quickly. Timely information flow and rapid consolidation of plans also allows more time for analysis and re-forecasting as business needs change.

*“Retail’s trendsetters examine the processes that contribute to sales; they try new things and measure carefully to see how they work; they find ways to respond to what they’ve learned; and they spread the word about findings through headquarters and stores. They think about who the customer is, what the customer wants, and put processes in place to exceed expectations.”<sup>3</sup>*

<sup>3</sup> Hotka. *Seven Steps to Performance Management*. Retail Industry Leaders Association. December 2005.



## Scorecarding, reporting, and analysis

IBM Cognos 8 Planning leverages IBM Cognos 8 BI capabilities to turn planning data into meaningful information.

BI transforms the volumes of data your organization collects into meaningful information that you can use to make better decisions. Depending on their responsibilities and needs, managers can turn to BI in the form of reports, analysis, scorecards, graphs, tables, or any combination.

By integrating with IBM Cognos 8 BI, our planning solution gives users the power to publish reports, identify variances and conduct analysis based on critical information such as sales, item movement, labor cost, and advertising spend.

- Connect and transform data from financial and operational sources into meaningful reports and analysis. Users can integrate information from multiple data sources into a single report. Reporting capabilities provide a range of report types—production, managed, and ad hoc reporting as well as dashboards.
- Reporting and analysis allow users to drill from summary reports, graphs, and charts to the underlying detail.
- Powerful functions simplify the analysis of large data sets. For example, asymmetrical analysis lets you use different levels of nesting to integrate several rows and columns of data in a single crosstab or report.
- With dynamic scorecards, communicate the strategic priorities of your plan. Show how metrics connect with each other, and link them with underlying reports and information. Calculated metrics summarization and linkage to scorecards and reports allows users to measure key revenue, margin, and expense performance indicators for operations.

*The bottom line:* Cognos is the only vendor that complements industry-leading BI with the ability to plan and budget enterprise-wide.

### Budgeting Capabilities

IBM Cognos 8 Planning facilitates a decentralized budget approach with easy data collection and aggregation. And the powerful calculation engine is designed to support rigorous budget analysis. Key features:

- Cognos supports an unlimited number of annual collected data versions, which can include budgets, actuals, and adjustments. It eliminates the problem of version control that is characteristic of a planning system based on spreadsheets.
- Functional or field-level business managers are linked to role-specific planning templates to ensure budgeting consistency.
- Audit and user text annotations at the cell, worksheet, and model levels improve collaboration and support compliance requirements.
- Users can budget at either the summary account or lowest account detail (e.g., one group may choose to budget total expenses, another might choose to budget at a lower level detail).
- Supports flexible reporting periods, alternative methods for spreading annual amounts, and distributed budgeting.

## Leveraging investments

Mission-critical business processes must be supported by systems that can share data and metadata easily—to ensure consistency and minimize the time and effort spent on maintenance. When choosing an enterprise planning solution, you need to be sure that the software integrates with existing IT assets, such as your ERP, merchandising, and point-of-sale (POS) data.

IBM Cognos 8 Planning automatically synchronizes data and metadata (e.g., charts of accounts, product hierarchies, cost center hierarchies, or employee lists) with other systems. It integrates with the existing environment, which reduces duplication of key operational and organizational information.

The software works with your IT environment, allowing you to leverage your existing infrastructure and applications to increase the value of your investments. Cognos has built a holistic, integrated technology framework. In addition to planning, reporting and analysis, and scorecarding, we provide common user portals, common data definitions, and standards-based technologies to simplify your business and IT environment.

In terms of speed and efficiency, IBM Cognos 8 Planning uses distributed processing, based on a Web Services-based architecture. The distributed architecture provides unprecedented, unbeatable scalability to thousands of users. And it ensures minimal bandwidth, since complex calculations are performed at the client, sparing unnecessary server traffic during high-use times.

*The bottom line:* Solutions built with an open Web Services-based architecture, and an emphasis on seamless integration, help you capitalize on the technology investments you've already made and allow you to expand with confidence.

## Sharing best practices

With the average sales visit lasting a mere three minutes, In addition to groundbreaking products and services, we've established the Cognos Innovation Center for Performance Management. Its mission is to develop better solutions, generate industry-changing ideas, and create a place where experts and leaders can come together to learn from each other. It is dedicated to helping Cognos customers understand, adopt, and implement next-generation planning and performance management practices.

The Center also authors IBM Cognos Performance Blueprints, which encapsulate best practices from leading retailers, business partners, and industry analysts to reduce time and risk in new implementations. They provide building blocks, based on leading customer implementations, that help accelerate the realization of an integrated, reliable, and dynamic planning process across the enterprise.

Recently released, the IBM Cognos Store Operations Performance Blueprint lets retailers build top-down strategic plans and integrate them with bottom-up budgets and forecasts. It is the first in a series of retail blueprints to be designed by the Innovation Center.

*The bottom line:* With Cognos you get more than software. You also get the expertise developed over more than a decade of planning for some of the largest, most successful global organizations.

*"...what Cognos has recognised is that planning is more than just a financial activity – it is something that needs to spread across the enterprise and be coordinated across multiple departments."<sup>4</sup>*

<sup>4</sup> Phillip Howard, Bloor Research. *New Plan-to-Perform Blueprints from Cognos*. IT-Director.com. July 13, 2005.

## The case for Cognos

In today's business climate, planning must be a core competency across the enterprise. Be sure your chosen solution provider isn't talking about theories or customers using products unrelated to mission-critical functions.

Cognos, an IBM company, offers greater depth and breadth of experience in the retail industry than any other performance management vendor. Our solutions are used by 25 percent of the world's top 250 retailers. And 25 percent of the top North American chains use Cognos.

Only Cognos has a solution engineered specifically to drive best-in-class planning:

- Provides a powerful modeling environment to determine appropriate goals and targets.
- Offers a platform that connects business drivers and logic to business measures.
- Has the proven scalability that's required for engaging a wide audience.
- Lets you plan and forecast frequently to manage the unexpected.
- Closes the loop between how you plan and forecast, how you measure and report, and how you take action.

*The bottom line:* Cognos people, technology, and domain expertise in enterprise planning, budgeting, forecasting, modeling, consolidation, and reporting are unrivaled. We know where the future of retail planning and performance lies. It's not in hype and gamesmanship, but in the successful deployment of proven technology.

## About Cognos, an IBM company

Cognos 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 January 2008. For more information, visit [www.cognos.com](http://www.cognos.com).

### For more information

For more information on Cognos solutions for retail companies, please visit [www.cognos.com/retail](http://www.cognos.com/retail).

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.

### Request a call

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



**GLOBAL**

Cognos ULC  
3755 Riverside Drive  
P.O. Box 9707, Station T  
Ottawa, Ontario  
Canada K1G 4K9

**ASIA/PACIFIC**

Cognos PTY Limited  
Level 2 110 Pacific Highway  
St. Leonards, NSW 2065  
Australia

**EUROPE**

Cognos Limited  
Westerly Point  
Market Street  
Bracknell, Berkshire  
UK RG12 1QB

**NORTH AMERICA**

Cognos Corporation  
15 Wayside Road  
Burlington, MA  
USA 01803