

How Retail Leaders Address Challenging Times

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Let's build a smarter planet.



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The reality of living in a globally integrated world is upon us.

- Economic downturn and future uncertainty.
- Frozen credit markets and limited access to capital.
- Increasingly complex supply chains and empowered customers.
- Emerging economies offering new markets for growth.
- Market conditions forcing consumers everywhere to alter spending habits.

The world is connected:
economically, socially and technically



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The **need** for progress is clear.

91%

Customers spending less in some discretionary areas. Approximately 59% of customers have less discretionary budget than last year.

\$1.2 trillion

Value of excess merchandise stockpiled in supply chains configured for long lead times—forcing retailers to make significant bets on inventory.

\$93 billion

Total sales missed each year because retailers don't have the right products in stock to meet customer demand.



The **opportunity** for progress is clear.

**50% increase
in conversion
rates**

Integrated experience:
Moosejaw

Moosejaw created a truly seamless shopping experience across the Web, stores and mobile devices, increasing conversion rates up to 50%.

**15%
reduction in
time and cost**

Smart tracking:
Metro

By implementing RFID item-level tracking, Metro was able to reduce the time and cost of receiving goods from the warehouse by 15%.

**92.5%
less order
lead time**

Real-time information:
Yansha

Yansha implemented a real-time information platform to provide transparency into supply chain business processes and reduce order lead time from 2.5 days to 4.5 hours.



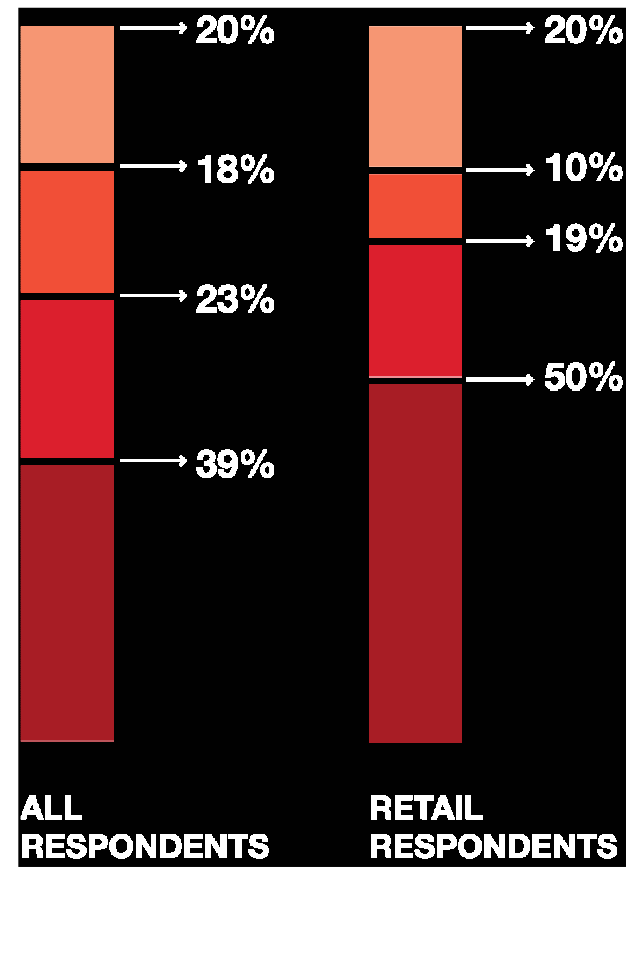
The way the world works is changing—and leaders must innovate their business models to keep up.

2 in 3

CEOs worldwide plan to engage in some sort of business model innovation.

50%

Of retail CEOs will invest in enterprise model innovation.





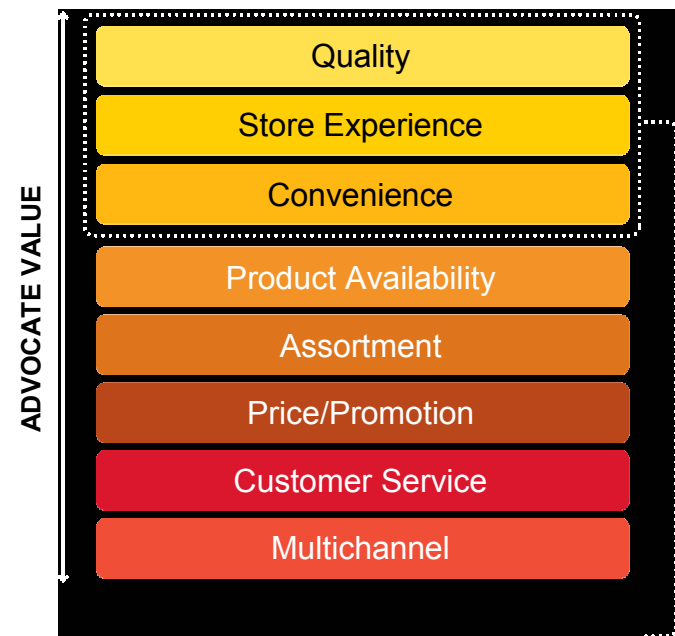
Meanwhile, in the new economy, shoppers are looking to connect with retailers that they trust.

21% to 38%

Customer Advocacy nearly doubled from 2007 to 2008.

3.1

Consumers will move to a new retailer after 3.1 negative experiences.



Advocates indicate that quality, store experience and convenience are most important.



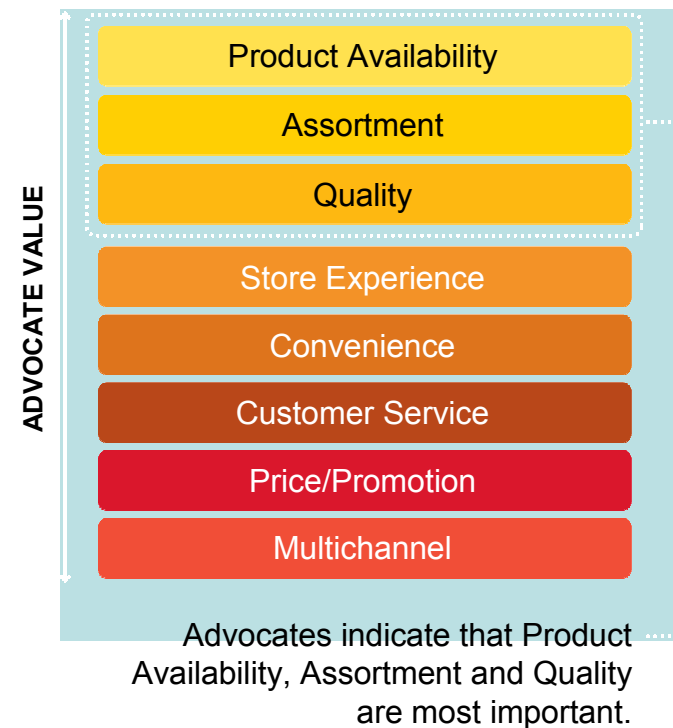
India Retail Customer Advocacy Study – teething problems?

14%

Customer Advocacy rate 2008

2.4

Consumers will move to a new retailer after 2.4 negative experiences.





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For retailers, this means effectively responding to drivers in

GLOBAL ECONOMY

- Financial crisis
- Credit crunch
- Unpredictable oil and commodity prices
- Growth market slowdown
- Product and food safety
- Environmental concerns

CONSUMER BEHAVIOR


- Decreased spending ability
- Better Informed/More demanding and discerning
- Job insecurity and falling real estate prices

COMPETITION AND REGULATION

- Industry consolidation
- New business models
- Increasing protectionism

TECHNOLOGY

- Underinvestment in IT
- Explosive growth of mobile devices
- Security and compliance/data privacy
- Technology Infrastructure spending (broadband)

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In these difficult times, retailers are under pressure to retain and build customer loyalty while at the same time cutting costs and streamlining operations.

Their success will require innovative business models that rely on real-time insights to meet customers' changing demands and expectations.

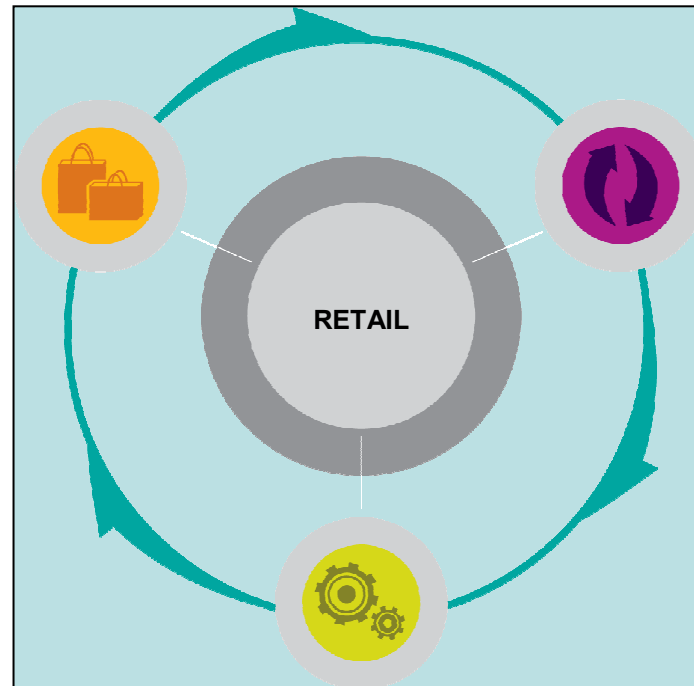


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To survive in today's changing retail environment, smart organizations are working to optimize their...

SHOPPING EXPERIENCE
 Enable customers to shop however, whenever and wherever they want. Match inventory and brand experience on the Web, in stores and via mobile devices.



MERCHANDISING AND SUPPLY CHAIN
 Gather customer information continuously and at every touch point. Manage and deliver assortments based on customer input and insights.

OPERATIONS
 Update systems to better handle today's customer demands. Improve management across labor, assets and business processes.

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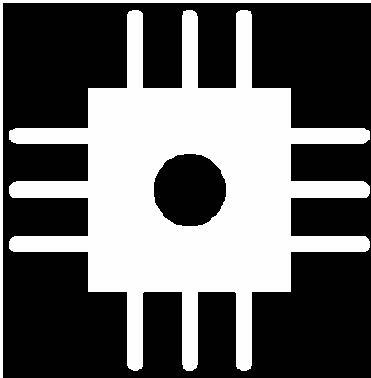
They are doing so by becoming
instrumented, interconnected and intelligent.



INSTRUMENTED

We now have the ability to measure, sense and see the exact condition of everything.

- Today there are over 1 billion transistors for each person on the planet.
- By 2010, 30 billion RFID tags will be embedded into our daily life, communicating across entire ecosystems.
- More than half of U.S. households regularly shop online, and 43% of Americans say they would use mobile phones to make purchases.

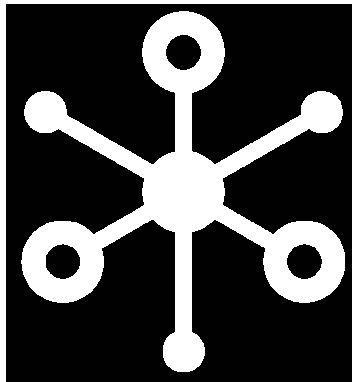


A 21st-century retail system will be able to track every item in real time, transform cell phones into mobile shopping devices and tap the Web to understand consumers' tastes and propensities to buy.



INTERCONNECTED

People, systems and objects can communicate and interact with each other in entirely new ways.



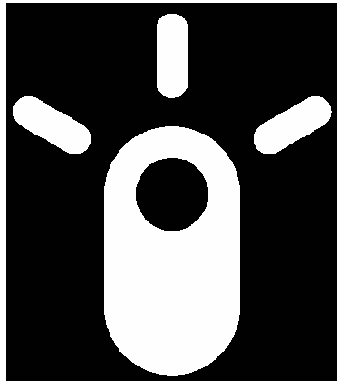
- The Internet is now over 1 billion people strong. By 2011, one third of the world's population will be on the Web.
- There are currently nearly 4 billion mobile phone subscribers worldwide.
- Some 77% of online shoppers use peer reviews and ratings when making purchases.

A 21st-century retail system will be integrated end to end—across suppliers, manufacturers, partners, stores and even the end consumer—through a host of sophisticated devices.



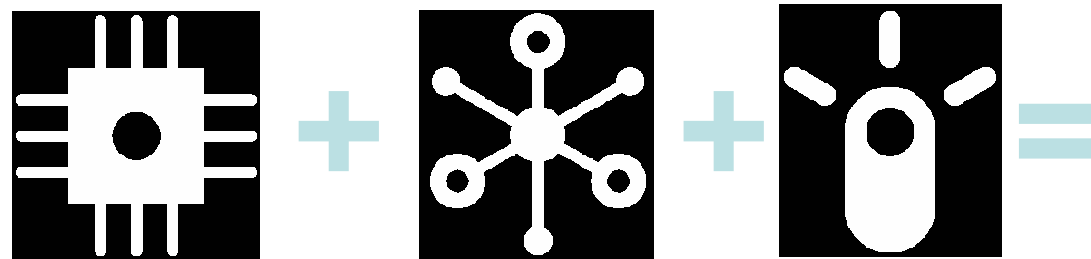
INTELLIGENT

We can respond to changes quickly, accurately and securely, and get better results by predicting and optimizing for future events.



- An average company of 1,000 employees spends \$5.3 million a year to find information stored on its servers.
- Every day, 15 petabytes of new information are generated—more than 8 times the information in all U.S. libraries.
- The amount of digital information generated each day is 350 times that housed in all U.S. university research libraries.

In a 21st-century retail system, companies will continuously analyze the vast amounts of consumer data they collect from multiple touch points and transform



An opportunity for retailers
to think and act in new ways.

Deliver a smarter
shopping experience.

Develop smarter
merchandising and
supply chains.

Build smarter
operations.



Delivering a smarter shopping experience.

SMART IS

Enabling customers to shop seamlessly across touch points and brands.

SMART IS

Developing promotions that are personalized—and timely.

SMART IS

Putting payment and loyalty cards at the tips of customers' fingers—literally.

SMART IS

An exchange of advice among friends and strangers.



Delivering a smarter shopping experience.



1-800-FLOWERS: Is tearing down the walls between its 14 brands through a flexible Web platform that lets the company respond to customer needs faster and more efficiently.



Carrefour: Implemented a groundbreaking in-store promotion system across its supermarket and hypermarket stores that enables the planning and execution of targeted campaigns to achieve enhanced customer loyalty.



Gewundhaus Gruber Launched the first fingerprint-identification-based loyalty and payment method in Germany, allowing club members to conveniently pay for items and receive loyalty incentives.



Moosejaw: Is giving customers a seamless shopping experience across the Web, stores and mobile devices while infusing customer feedback and reviews back into a system designed to continuously improve products and customer experiences.



Developing smarter merchandising and supply chains.

SMART IS

Reducing order lead times from days to hours.

SMART IS

Manufacturing the right number of a trendy item to fulfill real-time customer demand.

SMART IS

Knowing exactly where your merchandise is as it moves from the manufacturer to the customer.

SMART IS

Dynamically allocating inventory based on real-time customer demand and inventory constraints.



Developing smarter merchandising and supply chains.



Yansha: is leveraging a first-of-a-kind, real-time performance information system that provides transparency into supply chain processes to reduce order lead times, improve order accuracy and boost order acknowledgement rates.



Max Bahr: Built a dynamic system that helps to determine optimal inventory levels based on inventory constraints, demand patterns and customer service levels.



Metro: Uses RFID technology throughout its supply chain to help get the merchandise customers want onto the shelves right when they want it.



Building smarter operations.

SMART IS

Understanding sales trends in real time and adjusting inventory and promotions accordingly.

SMART IS

Quickly consolidating new acquisitions into an existing brand as well as existing processes and systems.

SMART IS

Reducing overall operating costs while deploying new customer services more quickly.

SMART IS

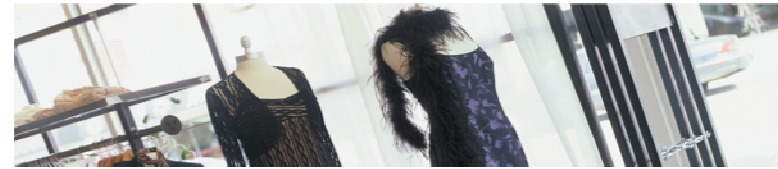
Never allowing customer data to be breached or compromised.



Building smarter operations.



Coop Group UK: Deployed energy efficient point of sale that automatically powers down after end of day processing, resulting in savings of 1.68 million kilowatt hours of electricity per year and 120K GBP in annual savings.



Elie Tahari: Built a business intelligence and performance management platform that helps match products to real customer demand.

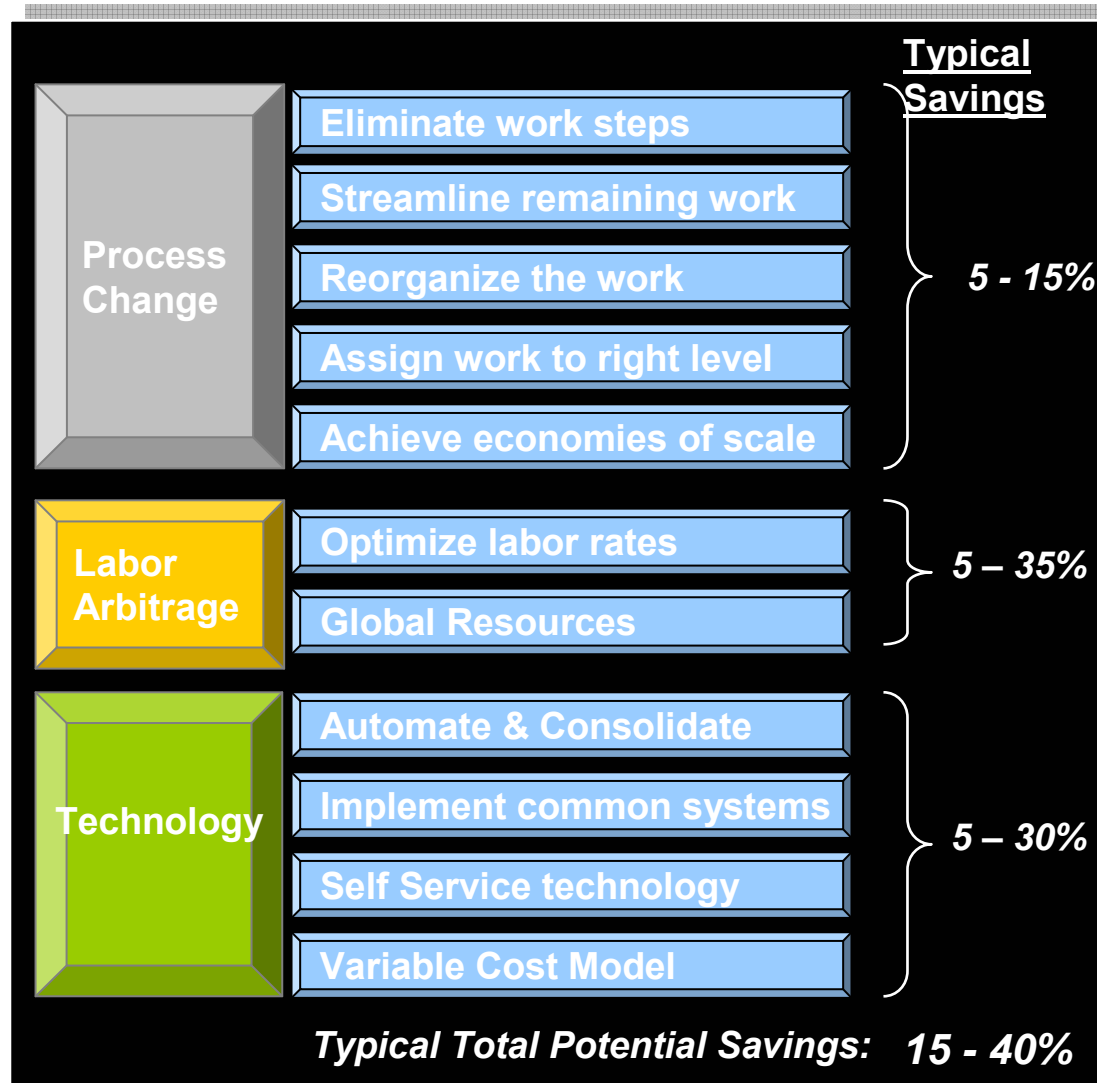


Rocky Mountain Chocolate Factory: Enhanced insight into financial and inventory performance by integrating point of sale and core systems, resulting in improved staffing schedules, sales and profitability.

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IBM can help develop a thorough optimization business case to assess impact from various sources





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IBM Smart Business – Rewriting the rules for small enterprises

Smart Market

Trusted source of business and technical advice with complete catalog of business applications via the Web

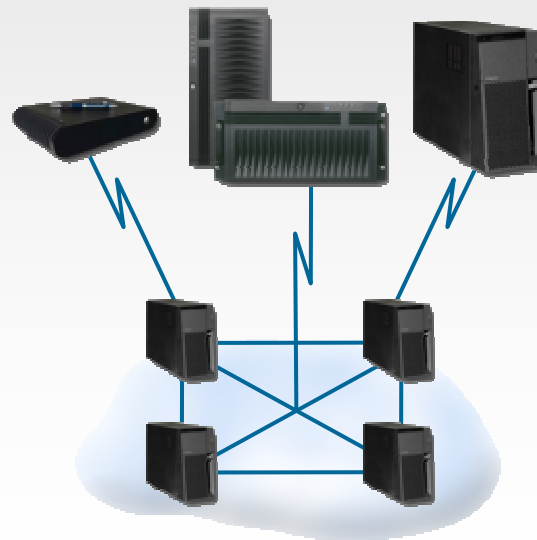
Learn/Shop



Smart Cube

A seamless combination of on-premise appliances and cloud computing in a "self managed" platform

Deploy

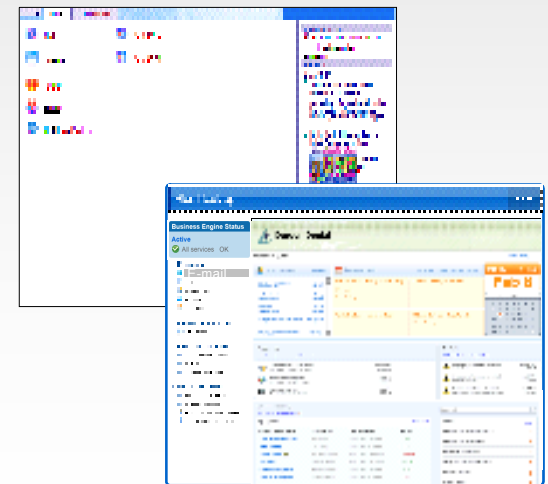


Always Connected
Autonomic Support

Smart Desk

Little skill required, support from a single source

Use/Manage

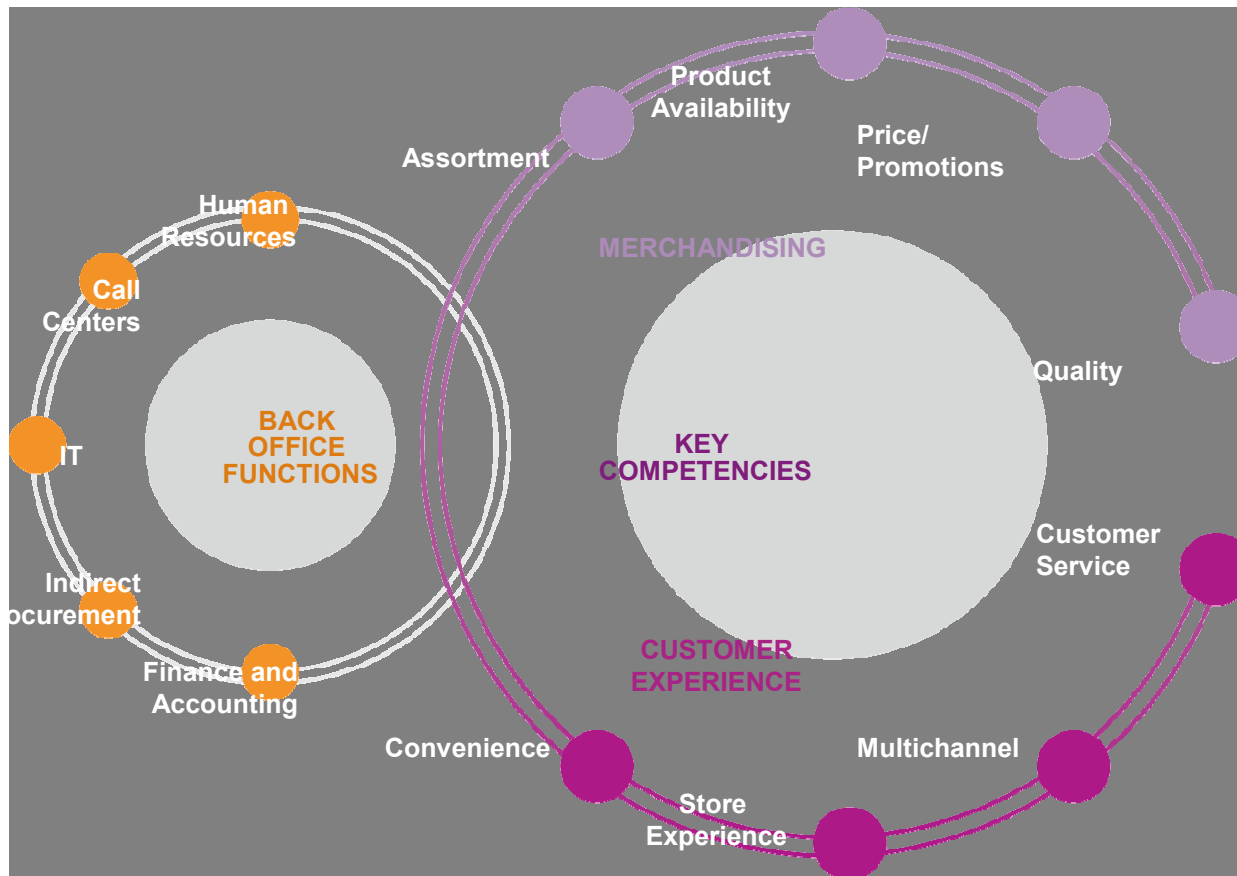




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Forward-thinking retailers will fundamentally reshape their business models to cut costs and boost efficiencies while focusing on the high-value areas of merchandising and customer experience.

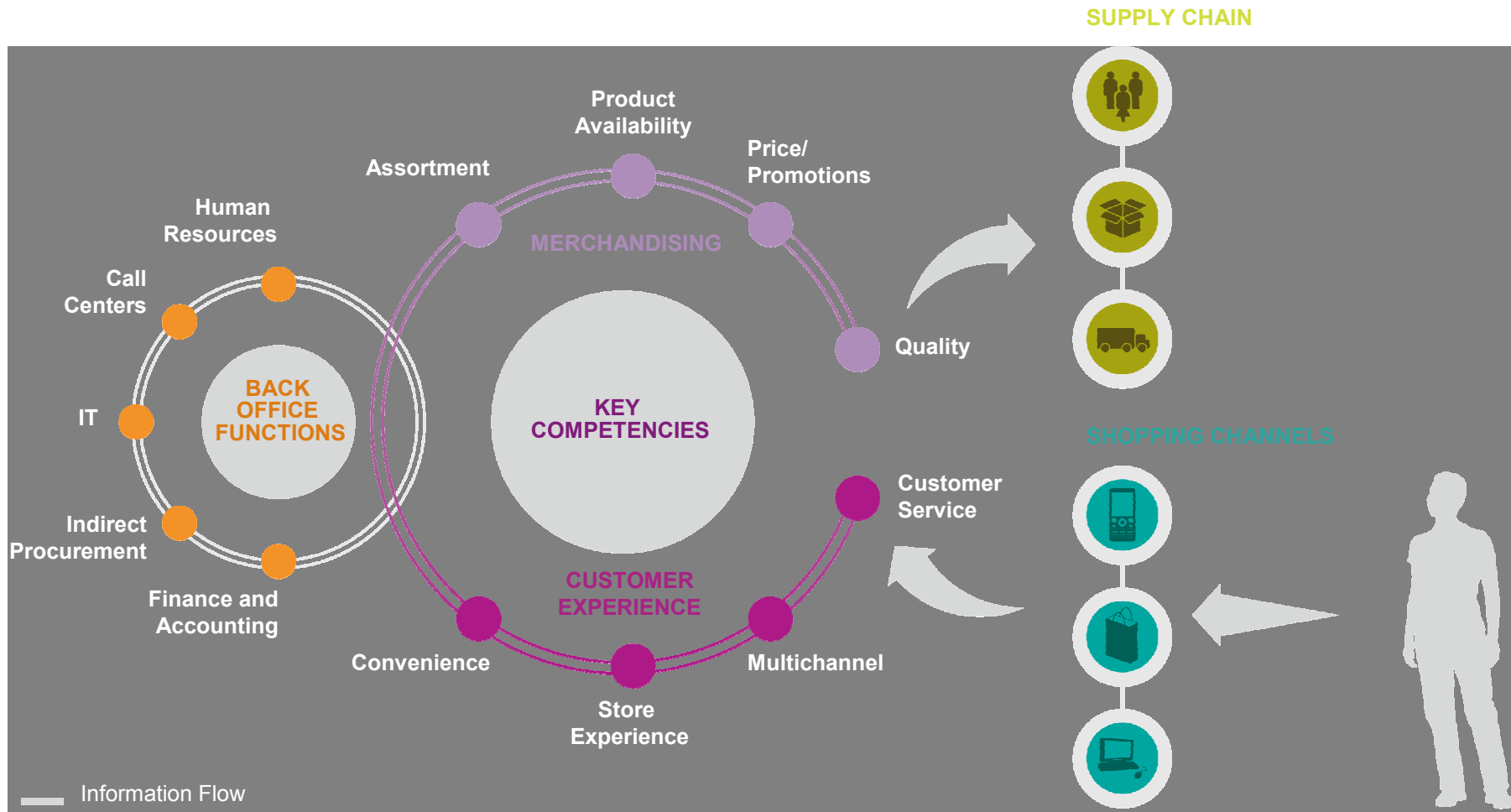




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These retailers will use multiple channels to gather real-time customer insights, which they will share with partners, suppliers and manufacturers to drive product development.

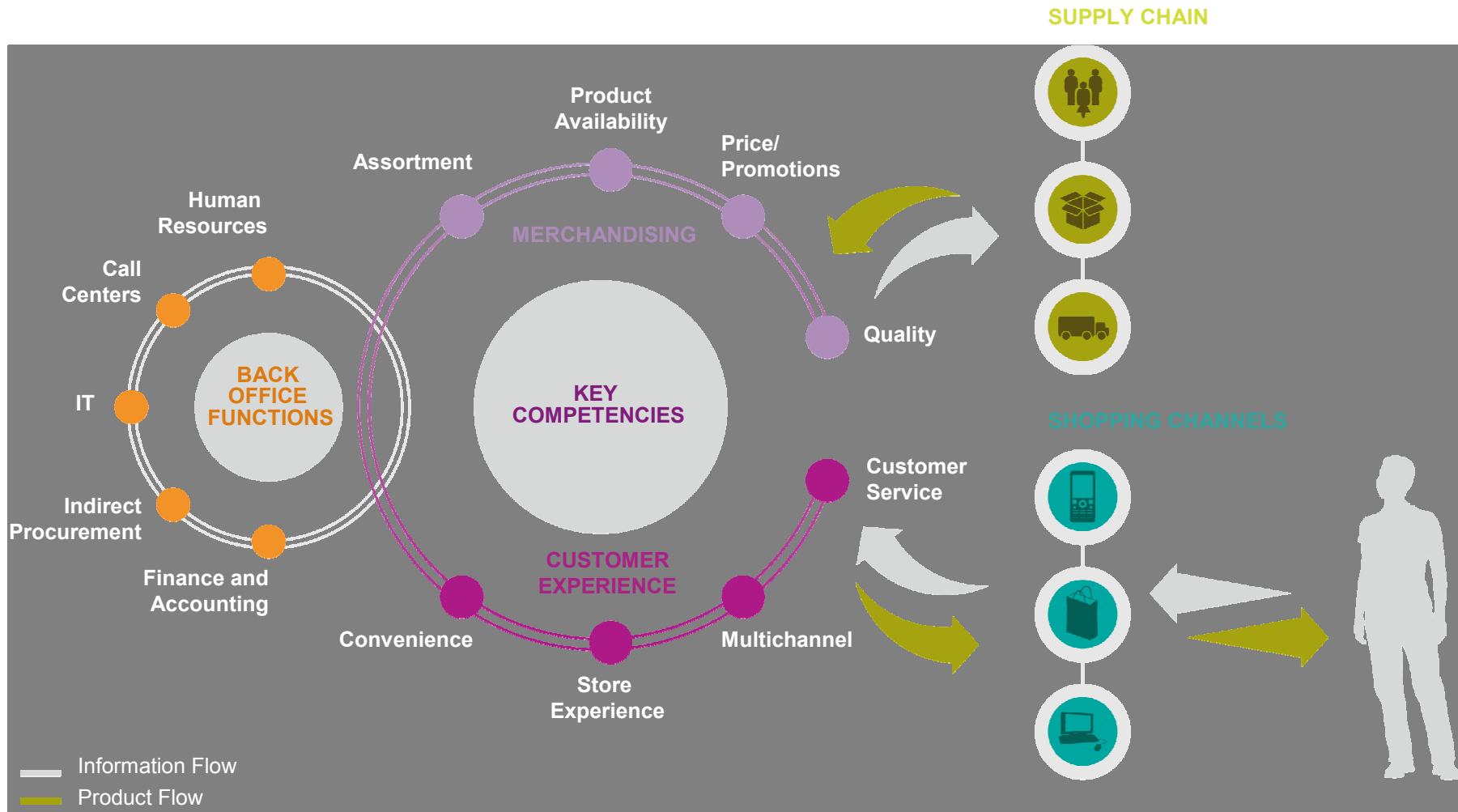




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This will enable them to deliver the optimal products and customer experience—at the right prices and in weeks instead of months.





The imperative for retailers is threefold.

1

Deliver a smarter shopping experience.

Focus on Value:

- Customer security and confidence
- Improve efficiency

2

Exploit Opportunities:

- Increase loyalty
- Invest in growth plays
- Protect and acquire talent

3

Act with Speed:

- Clearly communicate
- Get the information to act
- Business performance management and analytics

Develop smarter merchandising and supply chains.

- Optimize Supply Chain
- Rationalize Assortments
- Renegotiate terms

- Explore New Operating Models
- Explore partnerships

- Get the information to act
- Manage business performance

Build smarter operations.

- Reduce SG&A costs
- Improve efficiency
- Renegotiate terms

- Focus on winners
- Invest in growth plays

- Clearly communicate
- Leverage experience
- Set the agenda
- Manage risk



IBM's offering portfolio is aligned with the needs of retailers.

RETAILERS ARE FOCUSED ON...

IBM IS DELIVERING...



Delivering a smarter shopping experience

Next-generation e-commerce
Single view of customer
Cross-channel order management

Marketing and campaign management
Checkout and self-service
Customer analytics



Developing smarter merchandising and supply chains

Integrated planning
Product information management
Core merchandising

Integrated supply chain
Business process management
Merchant and SC dashboards



Building smarter operations

IT outsourcing
Application management services
Store management services

BPO: call center, F&A, indirect procurement
Energy performance management
Retail security



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Key Takeaways

- 3 Focus areas
 - Smarter Shopping experience
 - Smarter Merchandising and Supply Chain
 - Smarter Operations
- Building Customer Advocacy is key
- Strive for Business – IT alignment
- Look for innovation opportunities beyond the ERP
- Outsourcing – not just a cost reduction initiative but a strategic business transformation initiative
- Get in touch with IBM Retail consultants



Let's build a smarter planet.



We've only just begun to uncover what is possible on a smarter planet.

The world will continue to become smaller, flatter and smarter. We are moving into the age of the globally integrated and intelligent economy, society and planet.

By building intelligence into our entire retail system, retailers, manufacturers and suppliers can eliminate inefficiency and waste at every step of the chain—crucial in the current economic downturn.

More importantly, retailers can better serve the new breed of empowered consumer, whose needs for high value, individual service and low prices will only grow.

Let's work together to drive real progress in our world.