



The Fantastic Customer Experience

The IBM Point of View

Executive Discussion

4Q02



Retailers need to drive key strategic imperatives in response to today's challenging business environment

Empowered Consumers

- ✍ Increasingly well-informed and comfortable with multi-channel shopping
- ✍ Demand higher value at lower cost, and personalized services and experiences

Competitive Darwinism

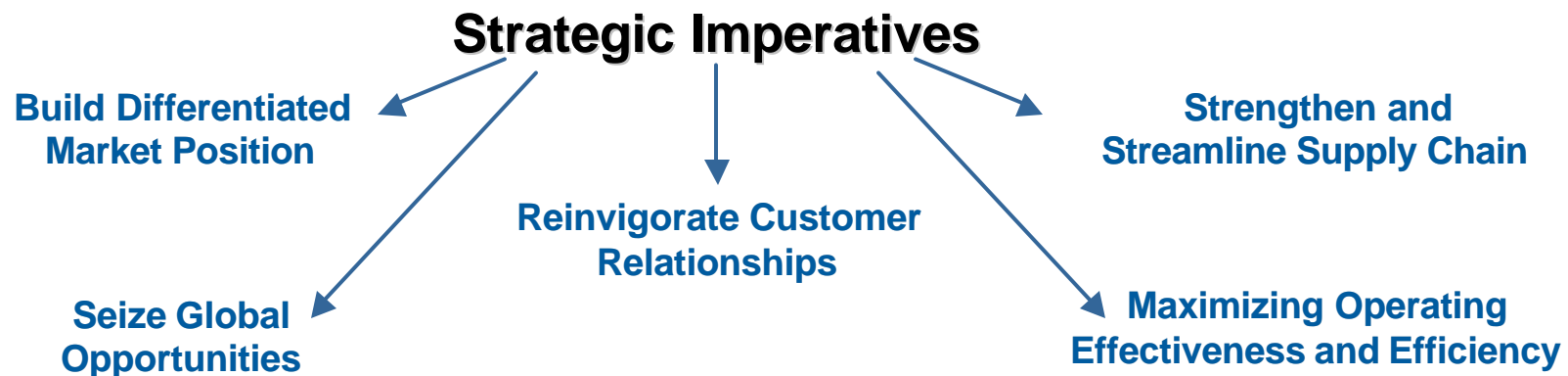
- ✍ Reaching market saturation; rapid consolidation within sub-industries/segments
- ✍ Expansion across segment and geography boundaries

Technological Tipping Points

- ✍ Acceptance accelerating, precipitating major changes in business practices and processes
- ✍ Improvement of legacy systems/infrastructures required to enable business strategies

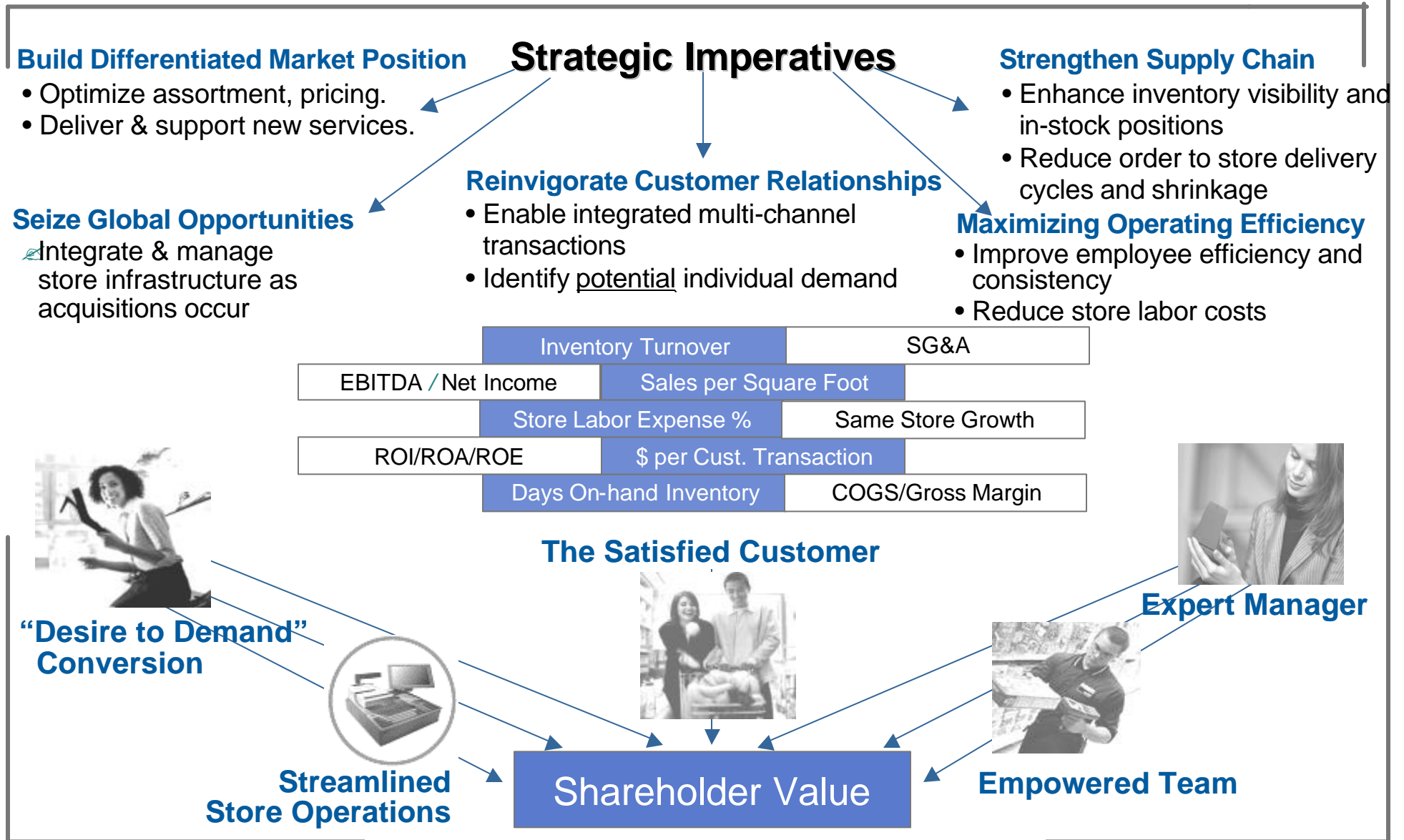
Real Value and Economics

- ✍ Renewed emphasis on true economic returns: Proven results vs. faith
- ✍ "Back-to-Basics" focus on labor and inventory expense



Source: IBM Institute for Business Value Analysis

At the store level Retailers are focusing on the Consumer experience to maximize shareholder value



The challenge is to fully orchestrate every step in the Consumer experience to gain compelling reasons to shop the Retailer

Consumer Experience is Key to Success

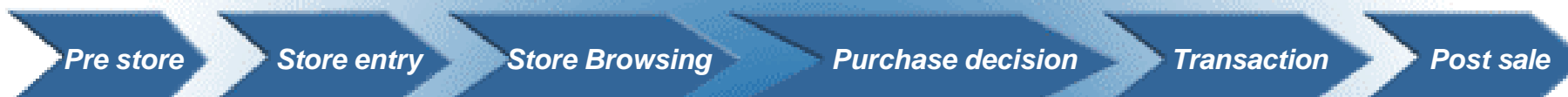
Empowered Team



Web

Wireless

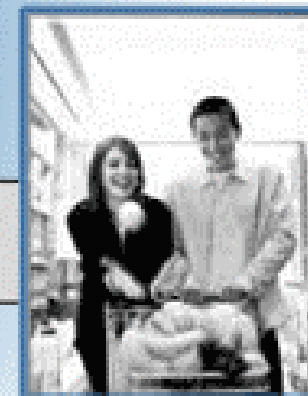
Kiosks



Call Center

Self-Checkout

Fantastic Customer Experience



@ Infrastructure

“Desire to Demand” Conversion

Streamlined Store Operations



Expert Manager



The Satisfied Customer

The opportunity is to increase wallet share and employee productivity by enhancing the control and choice of the customer

Supermarket Example

Attentive Environment



Self-Serve Sales

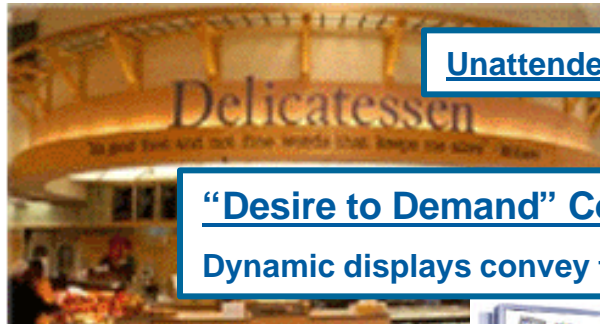


Extended Services
Customer downloads
DVD on kiosk



Satisfied Customer

At the front of the store, while enjoying a fresh cappuccino, RFID card in wallet engages shopping trip planner on PDA



Unattended Sales

“Desire to Demand” Conversion

Dynamic displays convey targeted offers

Expert Store Manager

Greets top 20% customer with free sample



Empowered Employee
checks inventory of item for customer on handheld



Streamlined Operations



Drive-thru Pharmacy, GPS notification



Loyalty notification, Special Floral order delivered car side

The opportunity is to increase wallet share and employee productivity by enhancing the control and choice of the customer

Specialty Store Example

Attentive Environment



Self-Serve Sales



Extended Services Customer downloads DVD on kiosk



Satisfied Customer

At the front of the store, RFID card in wallet notifies Manager of arrival on PDA



Unattended Sales

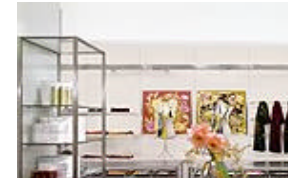
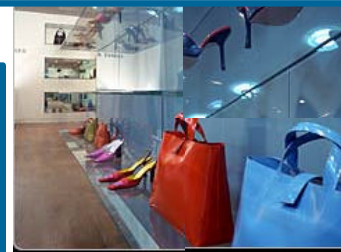


“Desire to Demand” Conversion Dynamic displays convey targeted offers

Expert Store Manager Greets top 20% customer with free sample



Empowered Employee checks inventory of item for customer on handheld



Streamlined Operations



Expert Alterations

Drive-thru alterations pick-up GPS notification



The opportunity is to increase wallet share and employee productivity by enhancing the control and choice of the customer

Mass Merchant Example

Attentive Environment



“Desire to Demand” Conversion

Dynamic displays convey targeted offers



Unattended Sales



Streamlined Operations



Self-Serve Sales



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Loyalty notification, Special Floral order delivered car side



The critical success factors are to dramatically improve speed to market, adaptability and exclusivity

TODAY:

- ✍ 18-24 months to add new store functionality
- ✍ Store communications at "dial-up" speed
- ✍ Labor-intensive store operations

TOMORROW:

- ✍ Dramatically reduced time to market – **Concept to Reality** -for new store capability
- ✍ Store communications – **Real Time** - Web-enabled, high-speed
- ✍ Improved productivity through increased - **Span of Control** - consumer and employee

CEO perspective:

"We cannot bring up our store-level applications fast enough."
"We are too labor intensive. We must improve our productivity, and minimize our training requirements."

LoB Executive perspective:

"We need the flexibility and potential of the Web at the store level."
"We are too slow in delivering 'exclusive' new services to our customers."
"We must have significant reduction in store manager administration."

CIO perspective:

"We need to deliver store applications with Web speed and adaptability."
"We need to establish a strategic architecture for tomorrow."
"We cannot afford to manage hundreds of store-level 'mini data centers'."

The Needs

Speed

Adaptability

Lower costs

Simplicity

Exclusivity

Scalability

Risk

The answer is to leverage your current investments to establish an infrastructure for innovation, that will enable your Retail business strategy

Consumer Experience is Key to Success

Empowered Team



Web

Wireless

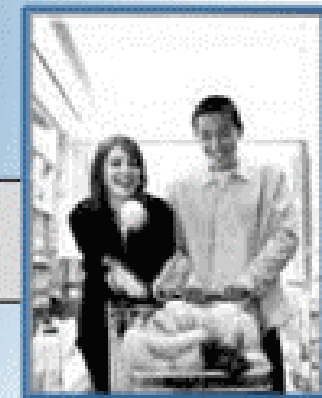
Kiosks



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Fantastic Customer Experience



@ Infrastructure

“Desire to Demand” Conversion

Streamlined Store Operations



Expert Manager



The Satisfied Customer

The Future is Now !



Streamlined Store Operations

- ✍ Computer-Aided Ordering/Continuous Replenishment
- ✍ Stock management /shrink management
- ✍ Optimized local assortment
- ✍ Technology management



Empowered Team

- ✍ Information access: price, products/ services, inventory
- ✍ e-assisted customer services
- ✍ Employee self service, e-learning
- ✍ Clienteling



Expert Manager

- ✍ Management reports and alerts
- ✍ Training and development
- ✍ Task management and communication
- ✍ People management



“Desire to Demand” Conversion

- ✍ Leveraged customer insight
- ✍ In-store marketing execution
- ✍ Cross-channel marketing and promotions
- ✍ Dynamic digital merchandising



The Satisfied Customer

- ✍ Customer Access: Self Service: Info access, transactions
- ✍ Self checkout
- ✍ Advanced payment techniques
- ✍ Cross-channel transactions: buying, fulfillment, returns

... And IBM Retail delivers increased choice, speed and adaptability

Retail Services

Infrastructure Design & Implementation

- ✍ Technology Deployment
- ✍ Network design
- ✍ Testing and scalability
- ✍ IT Optimization
- ✍ Capacity Planning

Business Consulting

- ✍ Prioritization Workshops
- ✍ Solution Design
- ✍ Customer Experience Re-engineering

Lifecycle Management

- ✍ Total Store Support
- ✍ Business continuity and recovery
- ✍ Outsourcing,
- ✍ Hosting
- ✍ e-business on Demand

Retail Store Solutions

- ✍ Consumer Access Point of Sale Self Checkout,
- ✍ Digital Merchandising
- ✍ Back Office / In Store Processor
- ✍ Electronic Marketing
- ✍ Store Managers Workbench
- ✍ Employee Self Service
- ✍ E Learning
- ✍ Select partner offerings



Retail e-Business

Infrastructure

Quick Start

- ✍ Application Enabling Framework
- ✍ Linux POS Store
- ✍ WebSphere In Store Enterprise
- ✍ WebSphere Enterprise Security / Systems Management
- ✍ Tivoli Retail Edition

...Addressing the pain in months, not years

...Creating measurable results to drive business performance

The typical timeline for implementation of a store self service project will be reduced by 40-70%

The total cost will often be less than 50% of the same effort prior to the infrastructure enhancements

Speed to market and ongoing adaptability are now inherent in the design with maximum utilization of existing assets

Success in the marketplace is driven by Strategy and Execution

Opportunist

- ✍ Basis of Competition:
 - Fashion, product, newness, in-store experience
- ✍ The shopper says:
 - ‘It’s fun to shop’
 - ‘Great product’
 - ‘It’s me’

Lifestyle

- ✍ Basis of Competition:
 - Enthusiasm, customer intimacy flexibility
- ✍ The shopper says:
 - ‘They know what I want’
 - ‘They help me to be me’

SELF EXPRESSION

ZARA

patagonia
committed to the cure

H&M

LOUIS VUITTON

THE LIMITED, INC.

BARNES & NOBLE

PRODUCTS

SOLUTIONS

Mass Value

- ✍ Basis of Competition:
 - Price, selection, convenience
- ✍ The shopper says:
 - ‘I can get everything I need here’
 - ‘I’m getting a good deal’
 - ‘It’s quick and convenient’

Solver

- ✍ Basis of Competition:
 - Superior service, solution offer, meeting needs
- ✍ The shopper says:
 - ‘I trust them’
 - ‘They solve my problems’
 - ‘I couldn’t have done that anywhere else’

TESCO

THE HOME DEPOT

WAL*MART®

Boots

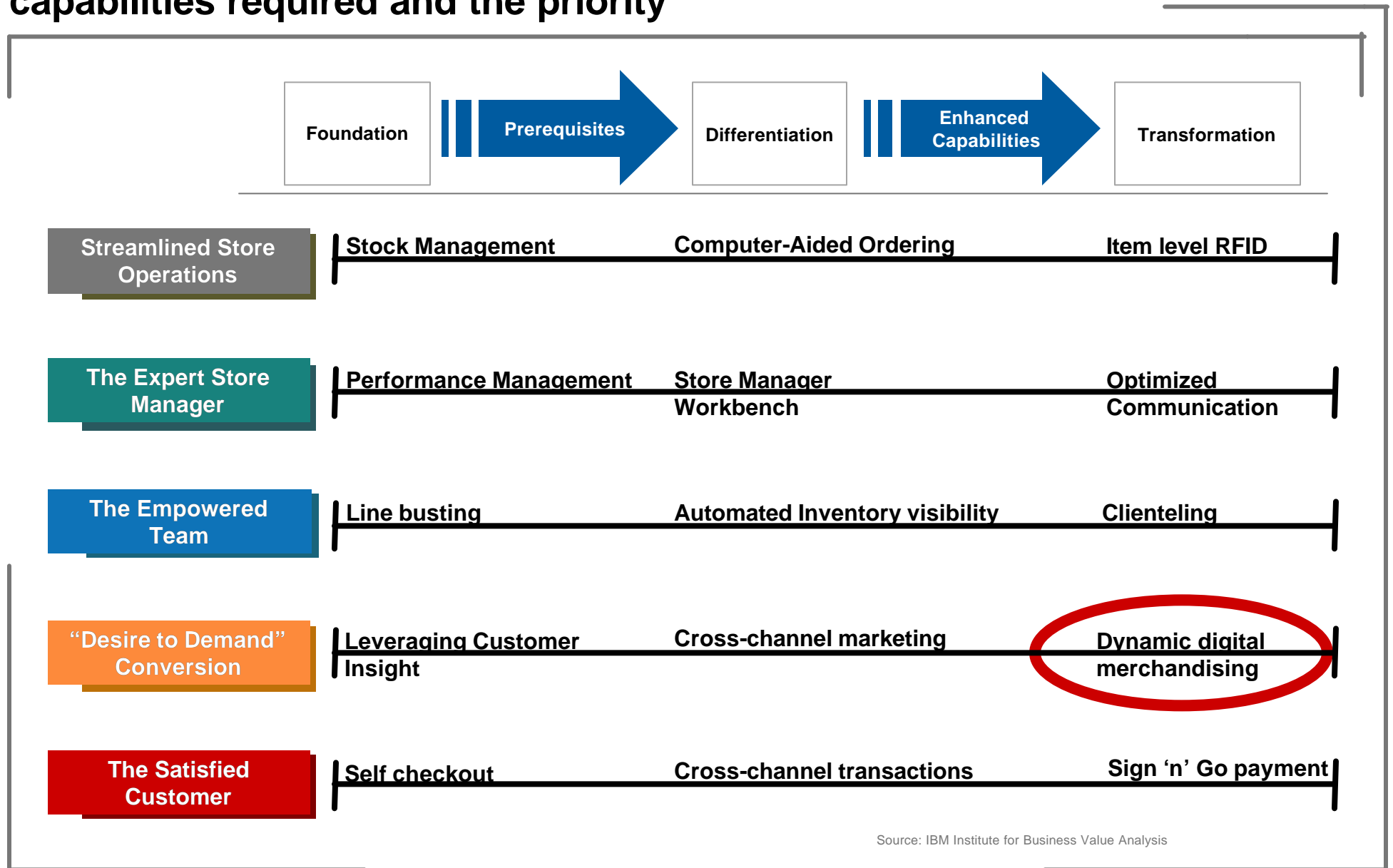
Kroger

CVS/

BASIC NEEDS

... The Retail DNA

The Retailers' strategic direction will define the specific capabilities required and the priority



Source: IBM Institute for Business Value Analysis

“The Retailers that are going to be standing in 2010 are the ones building IT Infrastructure in 2002.” - Gartner Group

Retail infrastructure can no longer be a simple set of “Homegrown” applications that do not communicate seamlessly

Today’s Retail Pain Points

- Anonymous customers
- Complaints (i.e., “I hate waiting in line.”)
- Searching shelves
- Lost sales

- Overloaded managers
- High labor cost to sales ratio
- Manual system problems
- Primarily offline applications

- Limited systems management
- Manual upgrade limitations
- Lack of inventory visibility
- Point-to-point integration



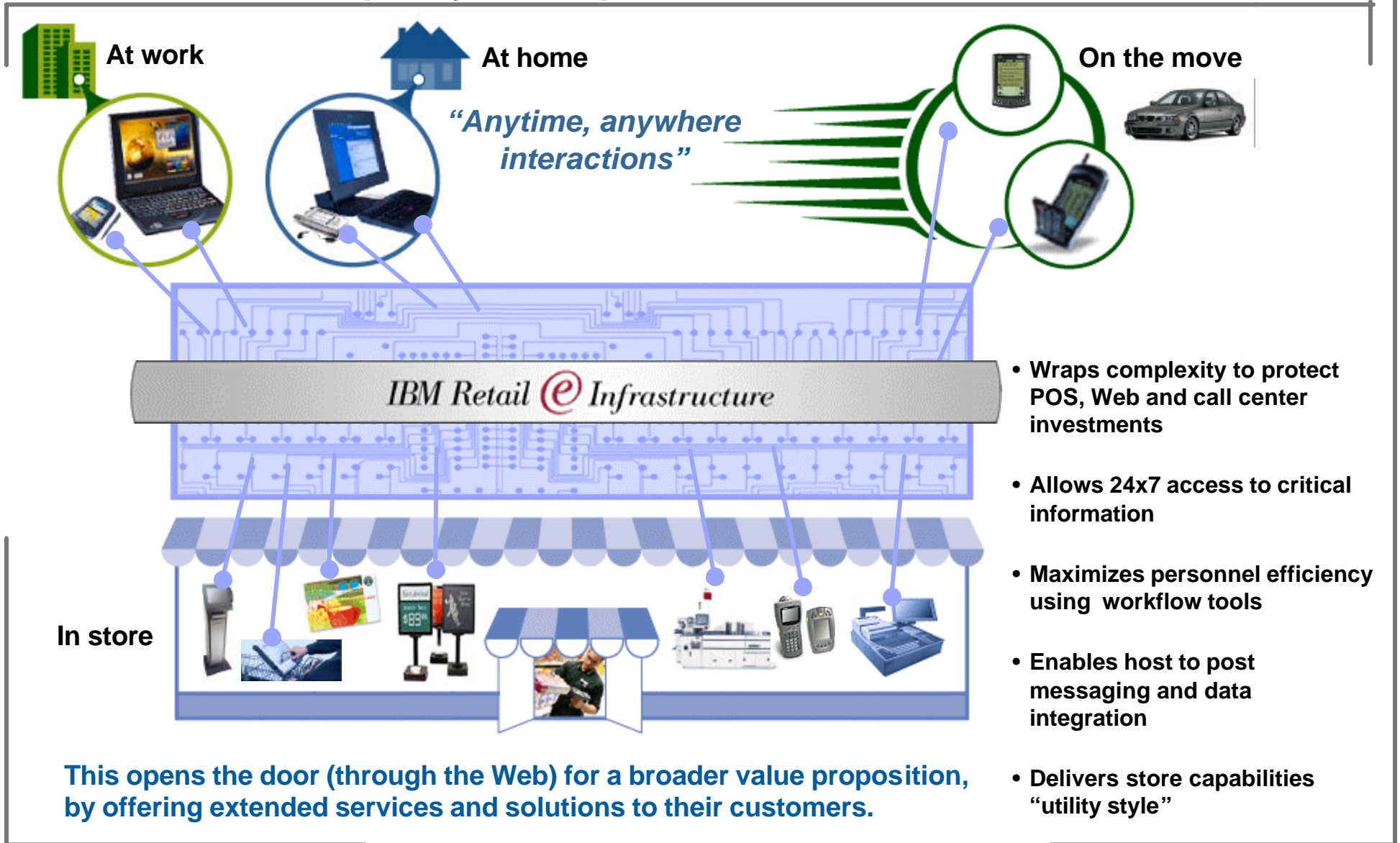
The IBM Store of the Future

- The store is everywhere
- Increased sales
- Improved customer loyalty

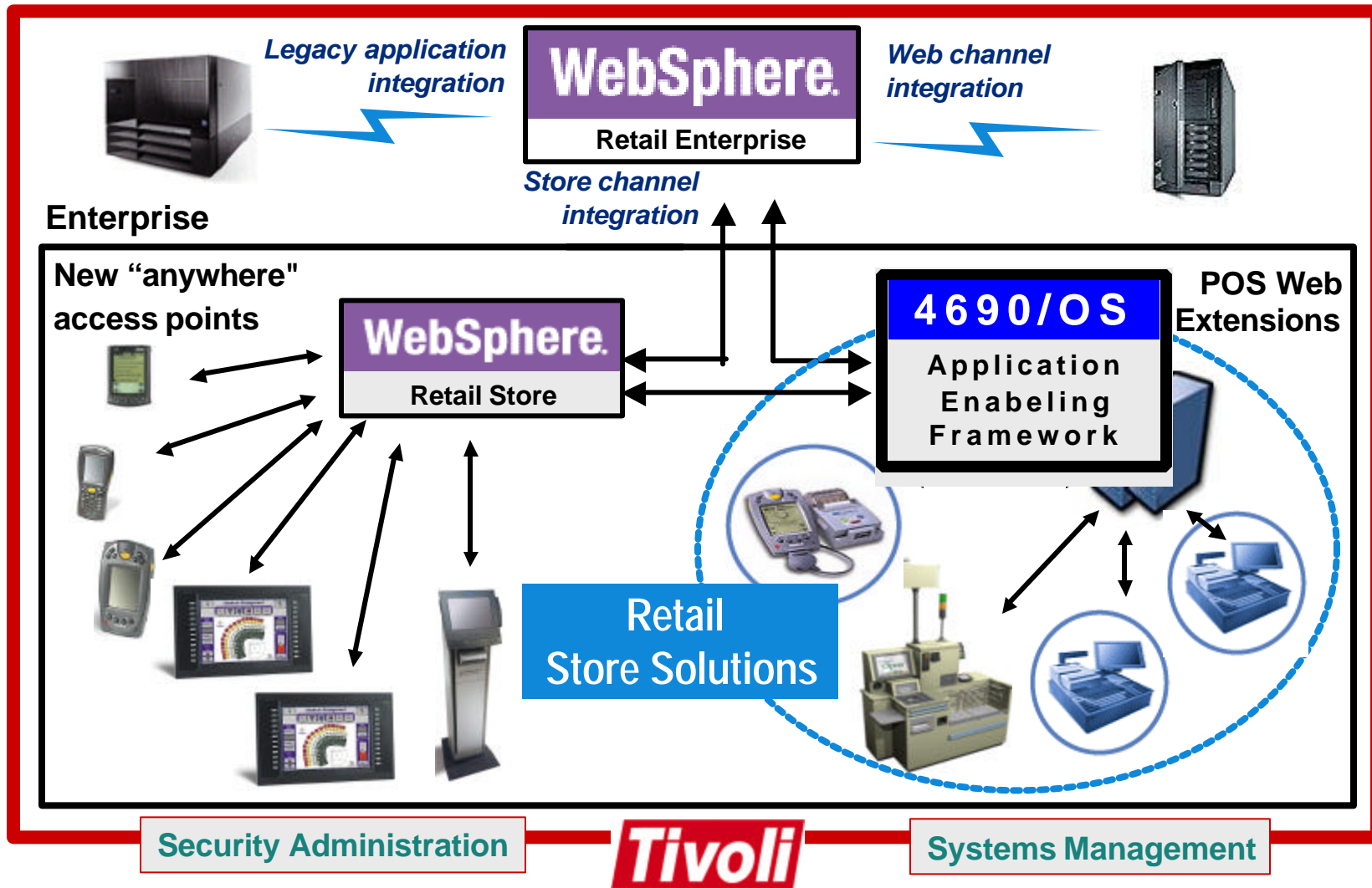
- Expert managers
- Optimized labor management
- Applications at Web speed
- Improved in-stock conditions

- Total store support
- Fast speed-to-market
- Maximized inventory visibility
- Seamless integration

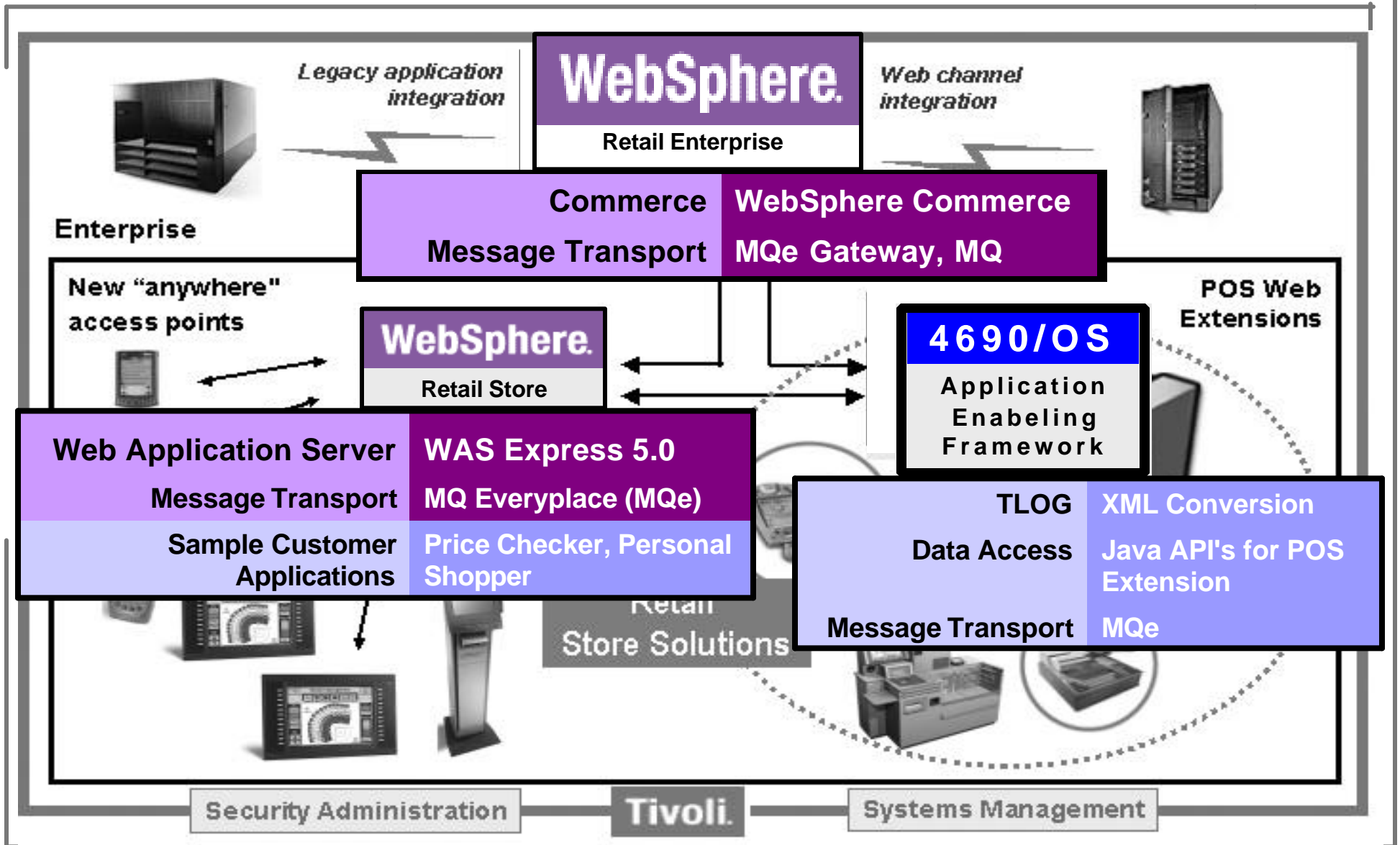
Making the five key competencies a reality requires a infrastructure that allows for simplicity and rapid innovation



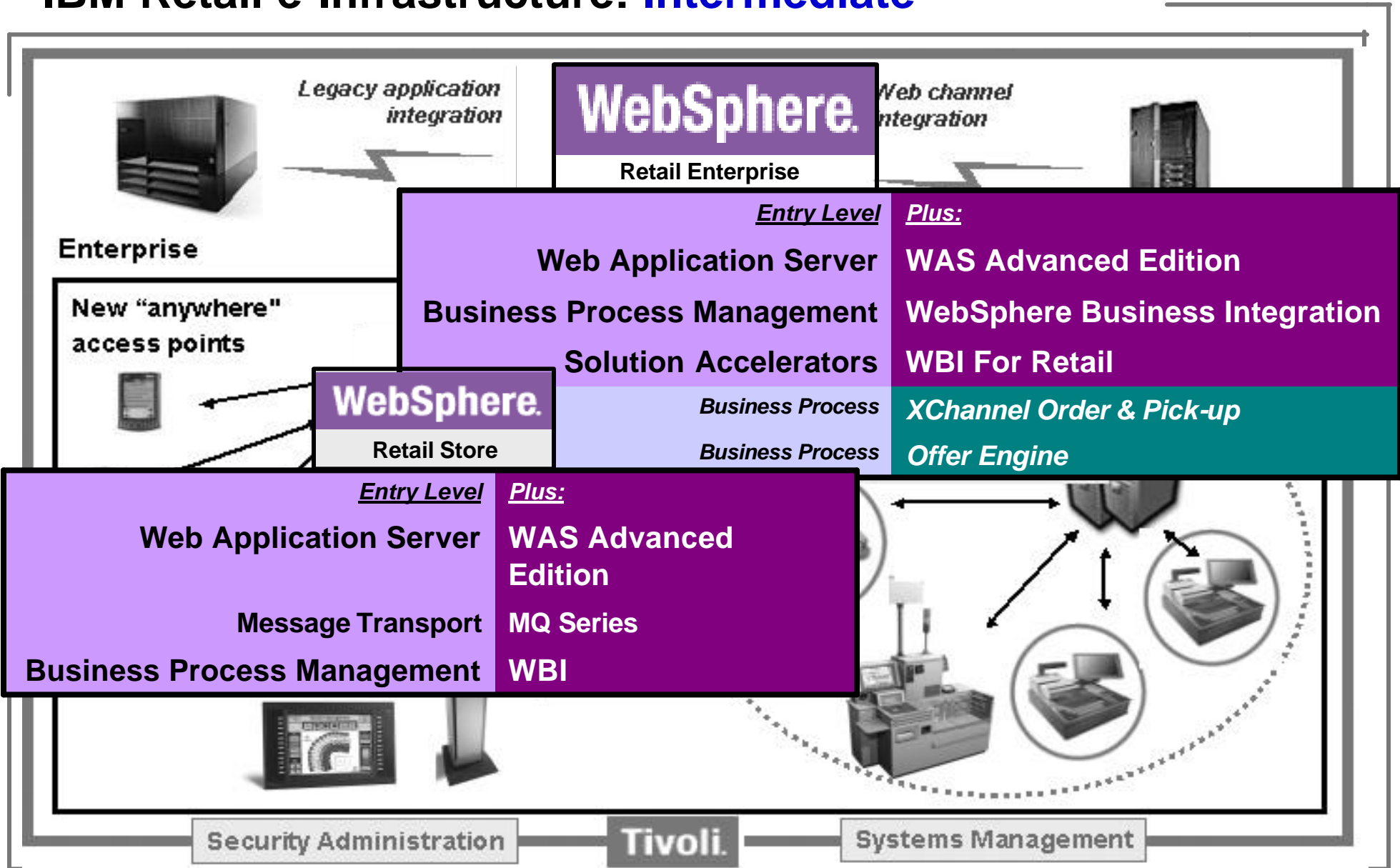
IBM Retail e-Infrastructure



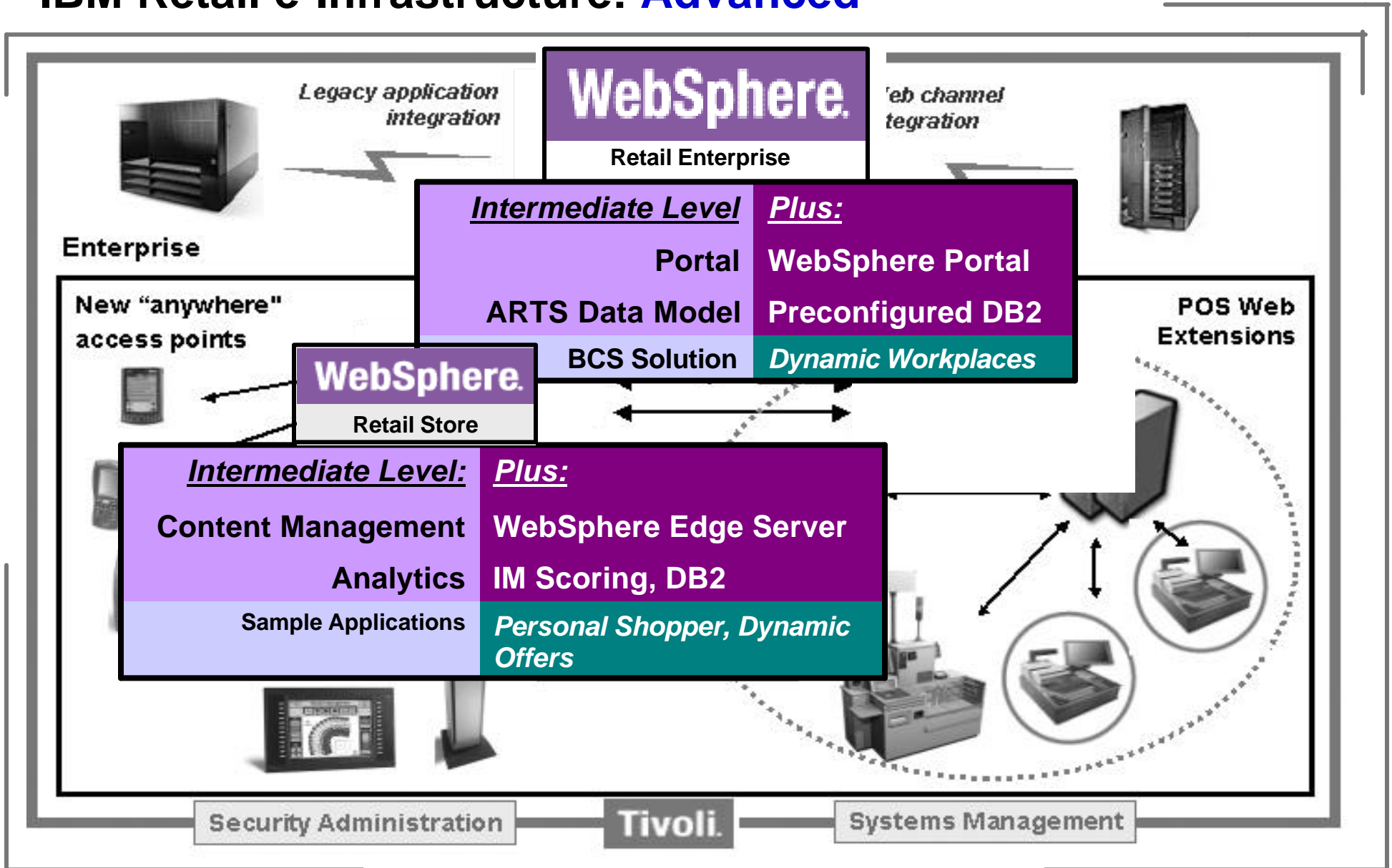
IBM Retail e-Infrastructure: Entry Level "Satin"



IBM Retail e-Infrastructure: Intermediate



IBM Retail e-Infrastructure: **Advanced**



IBM Retail e-Infrastructure: Comprehensive & Flexible

Investment Protection

- Wraps and connects legacy applications with little rewrite or repackaging

Platform Flexibility

- All common hardware and operating systems connected and supported

Security

- We have it !!!
- Industry-standard security services at all layers of the architecture
- Security services cross all platforms - no need for independent administration

Scalability

- Support from the smallest PC to the largest super computer

Web Services

- All infrastructure products are “web services enabled” using open standards
- Allows for non-disruptive evolution to “webify” the store

