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Unlock the True Value of Your Information

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The Information Agenda for Retail & CP: Converting the challenge into opportunity

Chris Osborne
Industry Solutions Executive, IBM

Unlock the True Value of Your Information

Retailers & CP Companies are faced with unprecedented challenges

Competitive Threats

- Consolidation through M&A
- On-line pure plays
- Big retailers get bigger (new categories, markets and formats)
- Private label proliferation

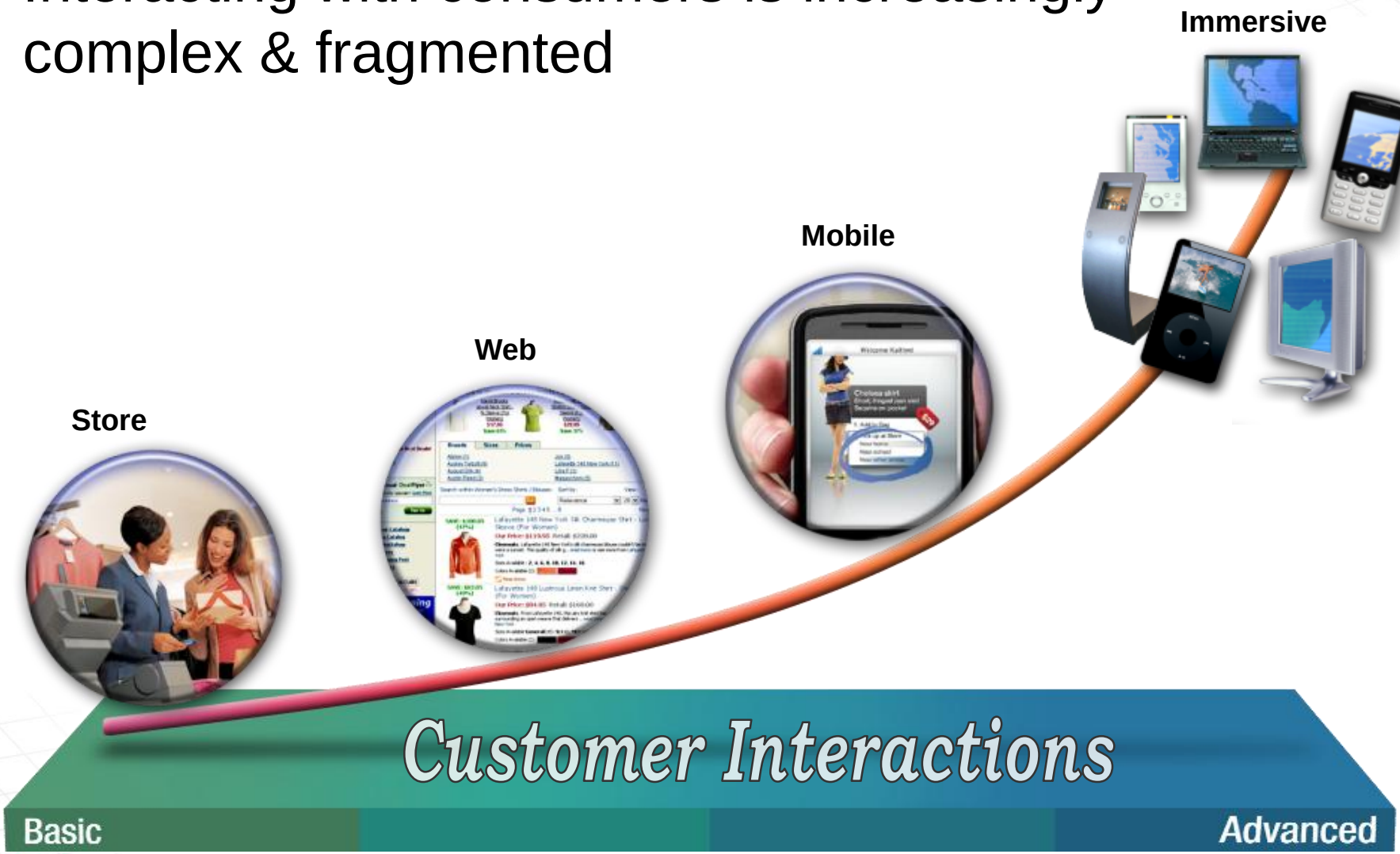
Technology Trends

- Historical underinvestment in IT
- Focus on package software & ERP
- Pervasive connectivity and mobile devices
- Security and compliance issues

Market Factors

- Consumer spending impacted
- Desire for information on products and brands
- Environmental concerns

Interacting with consumers is increasingly complex & fragmented



Source: IBM Global Retail Industry

Who is this ‘smarter’ consumer?

The smarter consumer is:

Instrumented

They have instantaneous access to information about retailers, products and other consumers’ experiences through technology

Who is this ‘smarter’ consumer?

The smarter consumer is:

Interconnected

They use multiple technologies to interact with other consumers and with retailers

Who is this ‘smarter’ consumer?

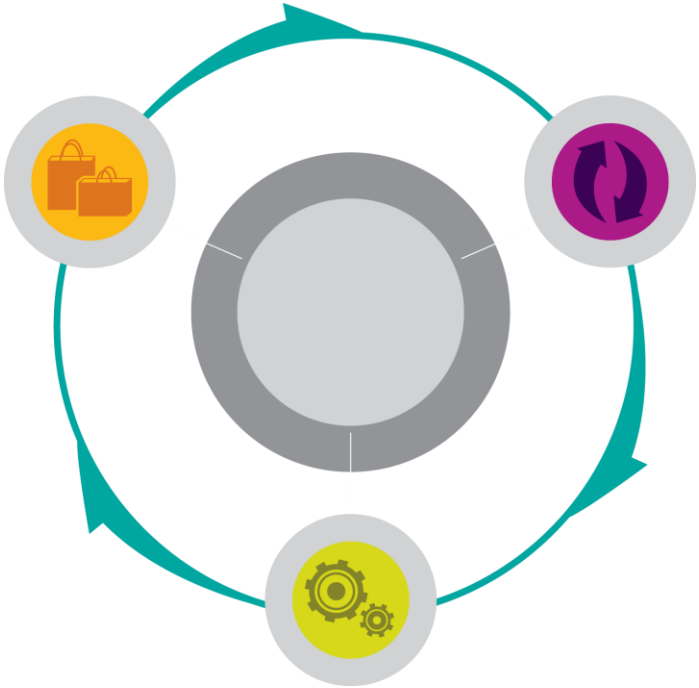
The smarter consumer is:

Intelligent

They have clearly defined expectations of what they want from their retailer now and in the future
Personalisation is key to driving loyalty

How to do business with the smarter consumer

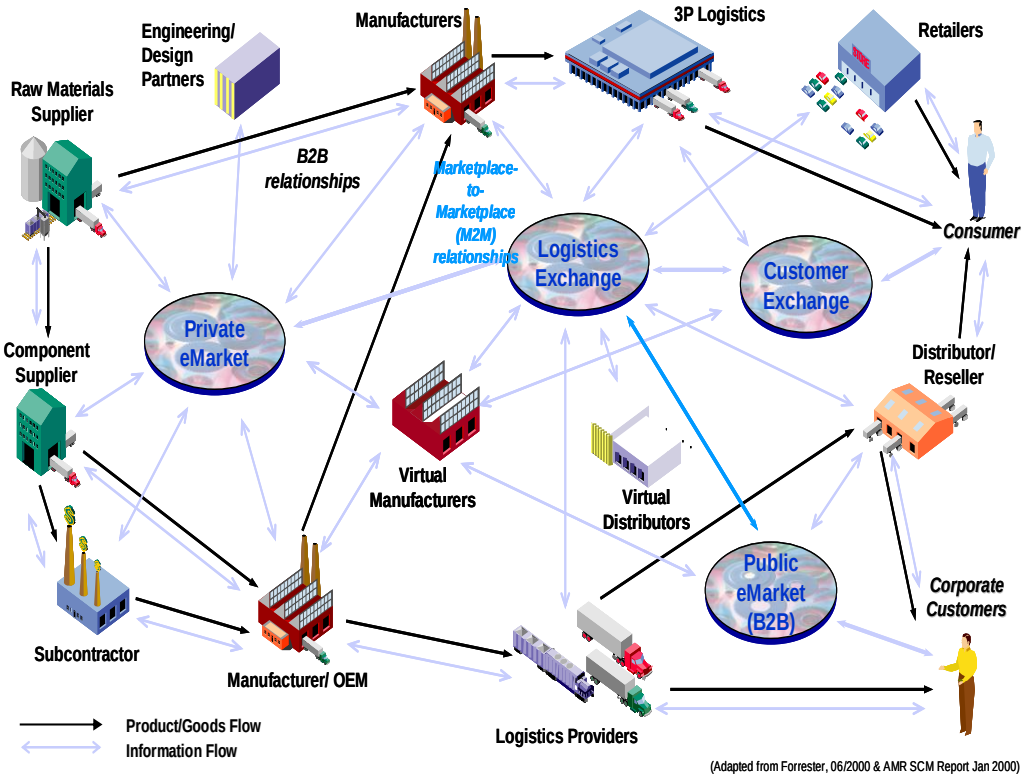
Deliver a smarter shopping experience.
Enable customers to shop however, whenever and wherever they want. Match inventory and brand experience on the Web, in stores and via mobile devices.



Develop smarter merchandising and supply chains.
Gather customer information continuously and at every touch point. Manage and deliver assortments based on customer insights.

Build smarter operations.
Update systems to better handle today's customer demands. Improve management across production, new product development labor, assets and business processes.

Develop Smarter Merchandising & Supply Chains



(Adapted from Forrester, 06/2000 & AMR SCM Report Jan 2000)

Retailers must implement smarter merchandising & supply chains

Retailer

Too much of the wrong product
Sales lost due to out-of-stocks
Inventory depreciation
Wasted shelf/storage space

Customer

Selection does not meet needs
Preferred product is not offered
Desired product is out of stock
Few new/seasonal items

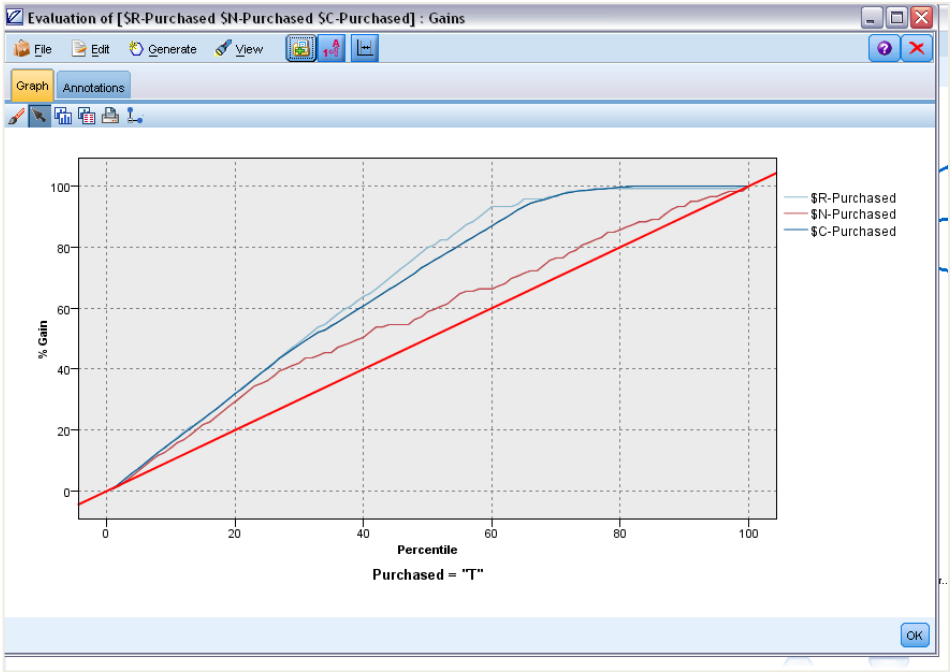
Operational Inefficiencies
Supply chain disruption

Customer dissatisfaction
Erosion of customer loyalty

DECREASED REVENUE
POOR CUSTOMER SATISFACTION
LOWER PROFITS
LOST MARKET SHARE

Localised assortment planning using predictive analytics

- Anticipate demand by SKU in each store or regional cluster
- Determine the range to be stocked at each store and expected sales volumes based on likelihood to sell
- Review and model alternatives before finalizing plans and executing



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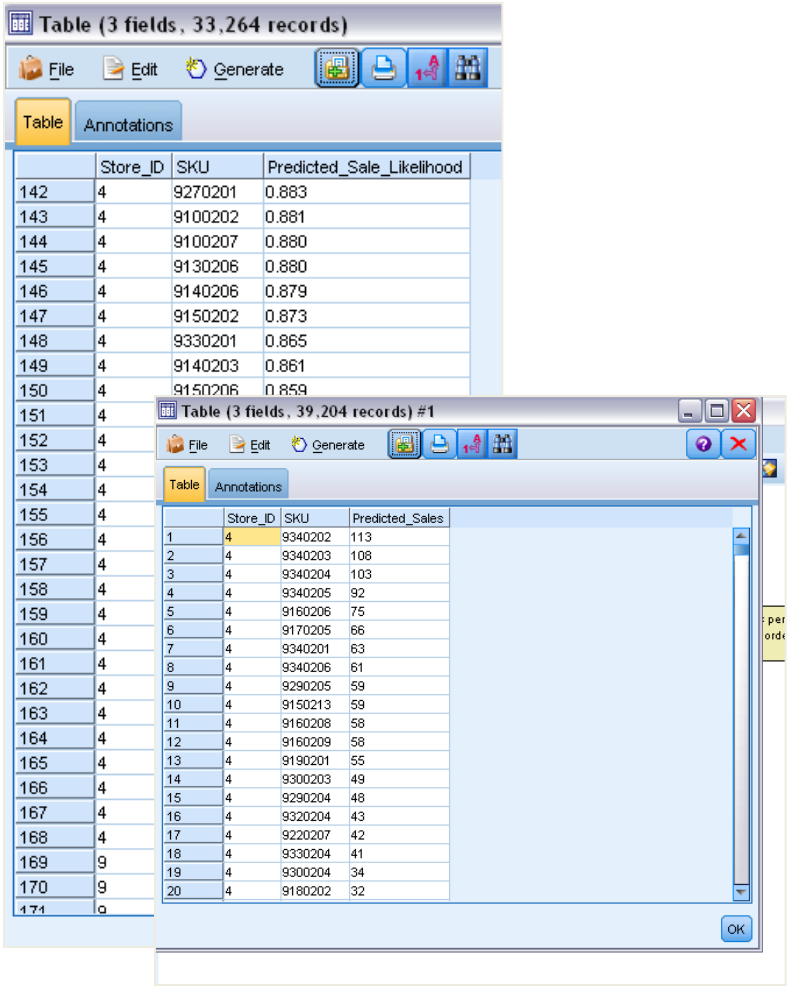

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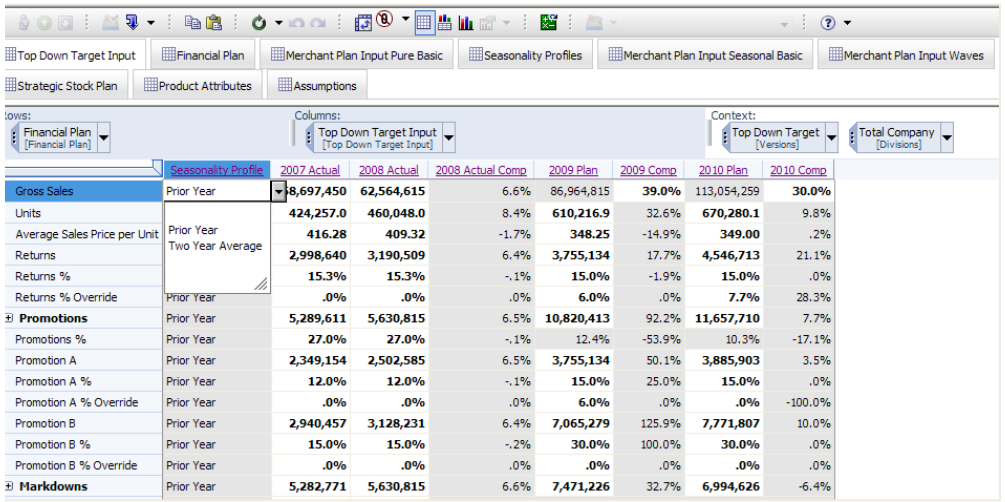
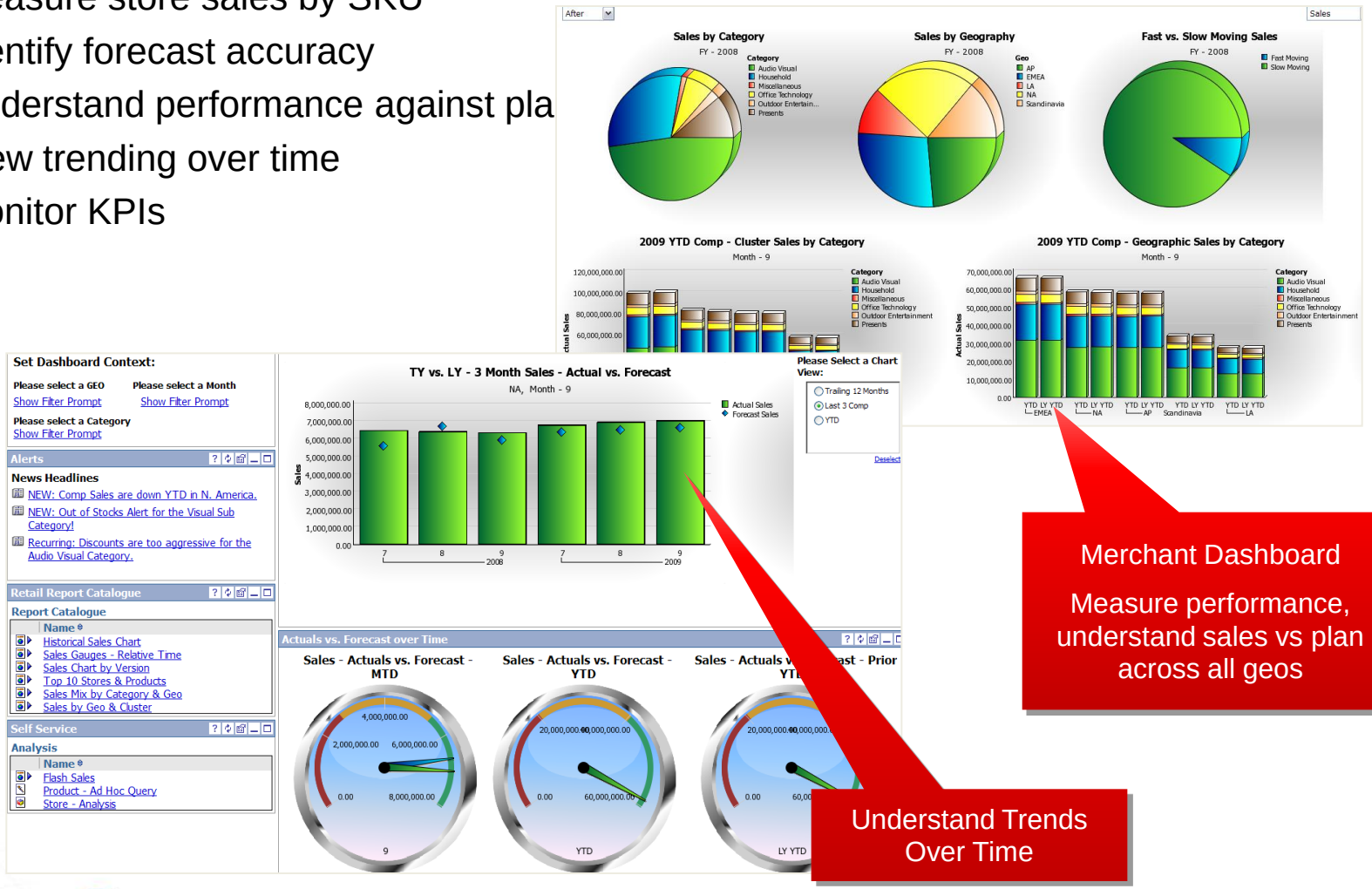


	Seasonality Profile	2007 Actual	2008 Actual	2008 Actual Comp	2009 Plan	2009 Comp	2010 Plan	2010 Comp
Gross Sales	Prior Year	8,697,450	62,564,615	6.6%	86,964,815	39.0%	113,054,259	30.0%
Units		424,257.0	460,048.0	8.4%	610,216.9	32.6%	670,280.1	9.8%
Average Sales Price per Unit		416.28	409.32	-1.7%	348.25	-14.9%	349.00	.2%
Returns		2,998,640	3,190,509	6.4%	3,755,134	17.7%	4,546,713	21.1%
Returns %		15.3%	15.3%	-.1%	15.0%	-1.9%	15.0%	.0%
Returns % Override	Prior Year	.0%	.0%	.0%	6.0%	.0%	7.7%	28.3%
⊞ Promotions	Prior Year	5,289,611	5,630,815	6.5%	10,820,413	92.2%	11,657,710	7.7%
Promotions %	Prior Year	27.0%	27.0%	-.1%	12.4%	-53.9%	10.3%	-17.1%
Promotion A	Prior Year	2,349,154	2,502,585	6.5%	3,755,134	50.1%	3,885,903	3.5%
Promotion A %	Prior Year	12.0%	12.0%	-.1%	15.0%	25.0%	15.0%	.0%
Promotion A % Override	Prior Year	.0%	.0%	.0%	6.0%	.0%	.0%	-100.0%
Promotion B	Prior Year	2,940,457	3,128,231	6.4%	7,065,279	125.9%	7,771,807	10.0%
Promotion B %	Prior Year	15.0%	15.0%	-.2%	30.0%	100.0%	30.0%	.0%
Promotion B % Override	Prior Year	.0%	.0%	.0%	.0%	.0%	.0%	.0%
⊞ Markdowns	Prior Year	5,282,771	5,630,815	6.6%	7,471,226	32.7%	6,994,626	-6.4%

Monitor merchandise performance & refine the plan

- Measure store sales by SKU
- Identify forecast accuracy
- Understand performance against pla
- View trending over time
- Monitor KPIs



Build Smarter Operations

Dashboards for operational performance

- Provide staff with the right information in the right format at the right time to support key business processes and enable them to be more productive and efficient.
- Give them the “needle” they need to do their job and avoid the “haystack” of spreadsheets, emails and printouts.

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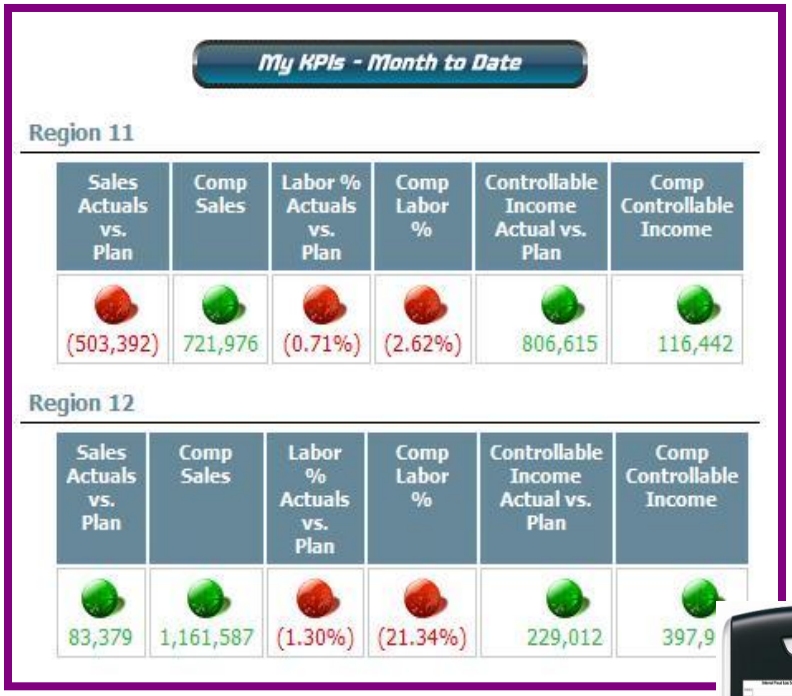
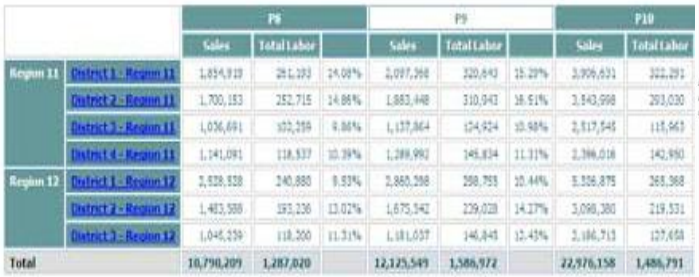
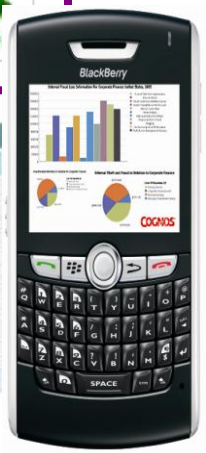


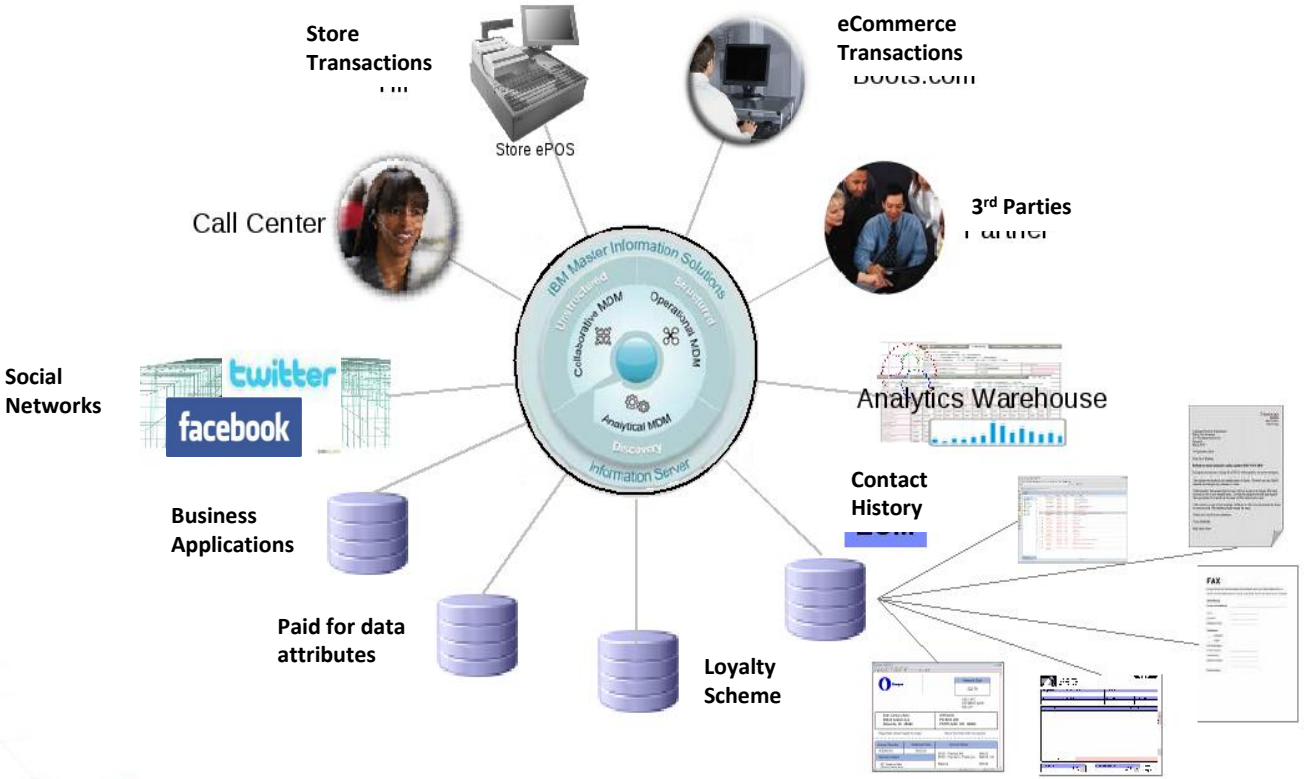




Deliver a Smarter Shopping Experience

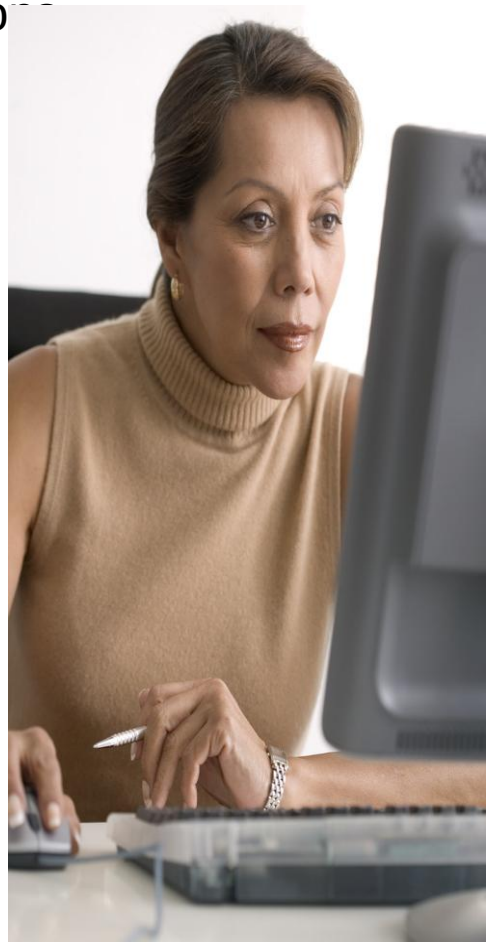
Collect and refine consumer data

- Bring all customer data together into a single and complete view & make available to the business where it needs it



Analyse consumer data to generate insight

- Market Basket Analysis and product associations
- Campaign response
- Breadth of shopping
- Customer lifestage requirements
- Profitable segments
- Shopping mode
- Cross channel behaviour
- Identify the attributes that drive behaviour
- Moments of truth
  - Prevent churn
  - Increase loyalty



Savvy companies tap into consumer generated content to answer critical questions about product and market strategy

*How do consumers feel about our new **product launch** and **ad campaign**? Are we getting a good ROI?*

*What **un-serviced** market needs are consumers blogging about?*

*What are the most talked about product attributes in my **product category**? Is it good or bad?*

*What do consumers think about my **competitors**?*

*Are there any early indicators of **quality problems** with our products or services?*

Is there negative **chatter** that my PR team should respond to?

Act on consumer insight to drive value

- Promotional content and **personalised** treatment strategies delivered:
  - At the right time
  - Via the right channel
  - To improve the customer experience but also drive additional sales
- Capture response to activity

IBM's consumer research showed that personalised offers and having loyalty programs with easily obtained rewards are the areas where consumers want retailers to focus

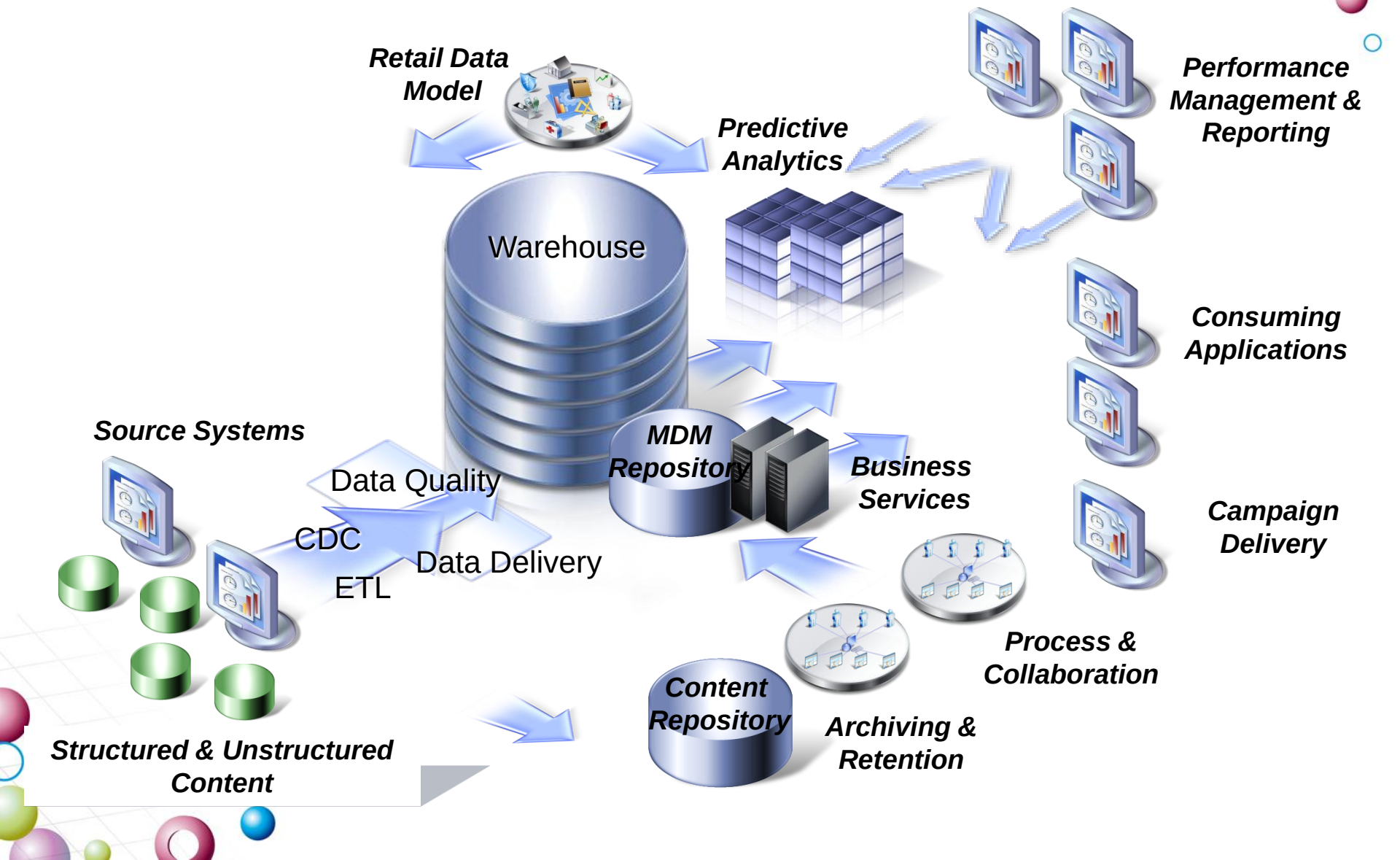
Category	Area	Importance Score	Improvement Score	Gap
Price / Promotion	Provides tailored offers that are relevant to me	113.58	125.85	-12.26
Price / Promotion	Has a frequent shopper program with easily obtained rewards	101.98	108.67	-6.69
Products	Consistently has product available	114.07	114.15	-0.09
Price / Promotion	Has great sales	105.22	104.70	0.53
Price / Promotion	Offers me various options to provide me with greater value	110.33	108.24	2.09
Price / Promotion	Has everyday low prices	116.27	114.06	2.21
Products	Offers better quality products	113.58	106.58	7.00

Source: IBM Institute for Business Value Analysis, Retail 2010, n=5,508

So what's needed?

The building blocks to deliver Information on Demand

An information supply chain



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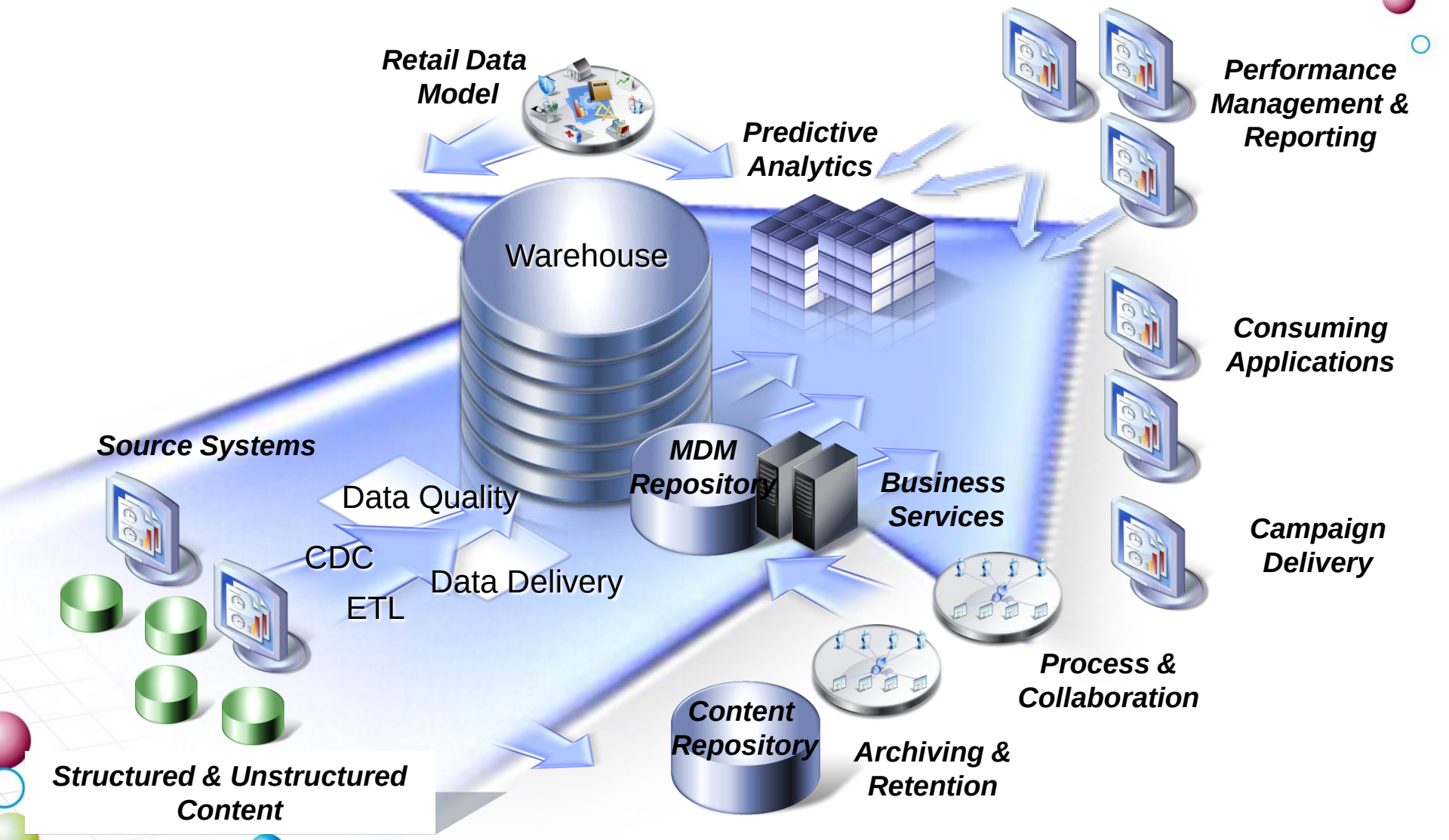
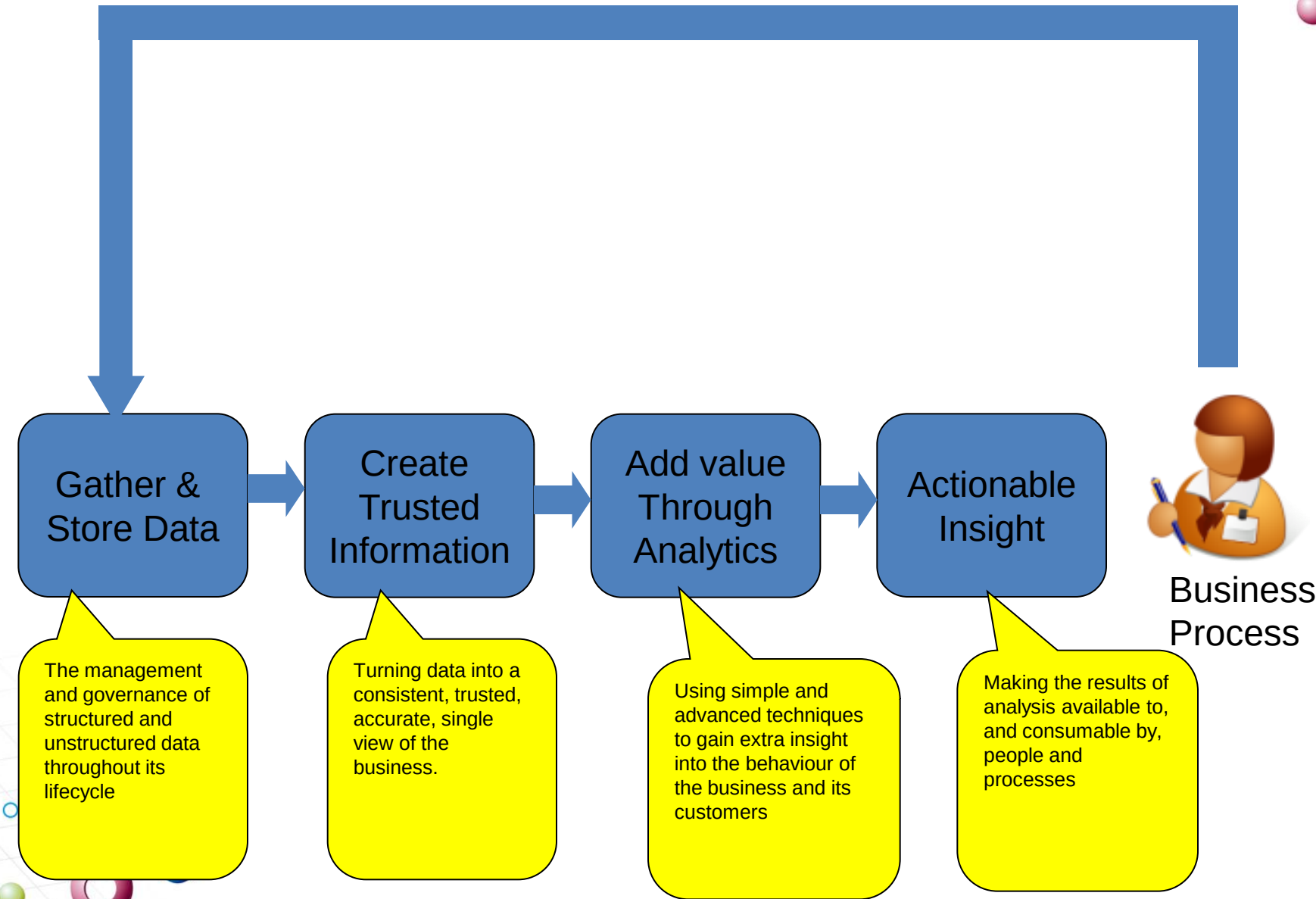


Enhancing IBM's end-to-end capabilities



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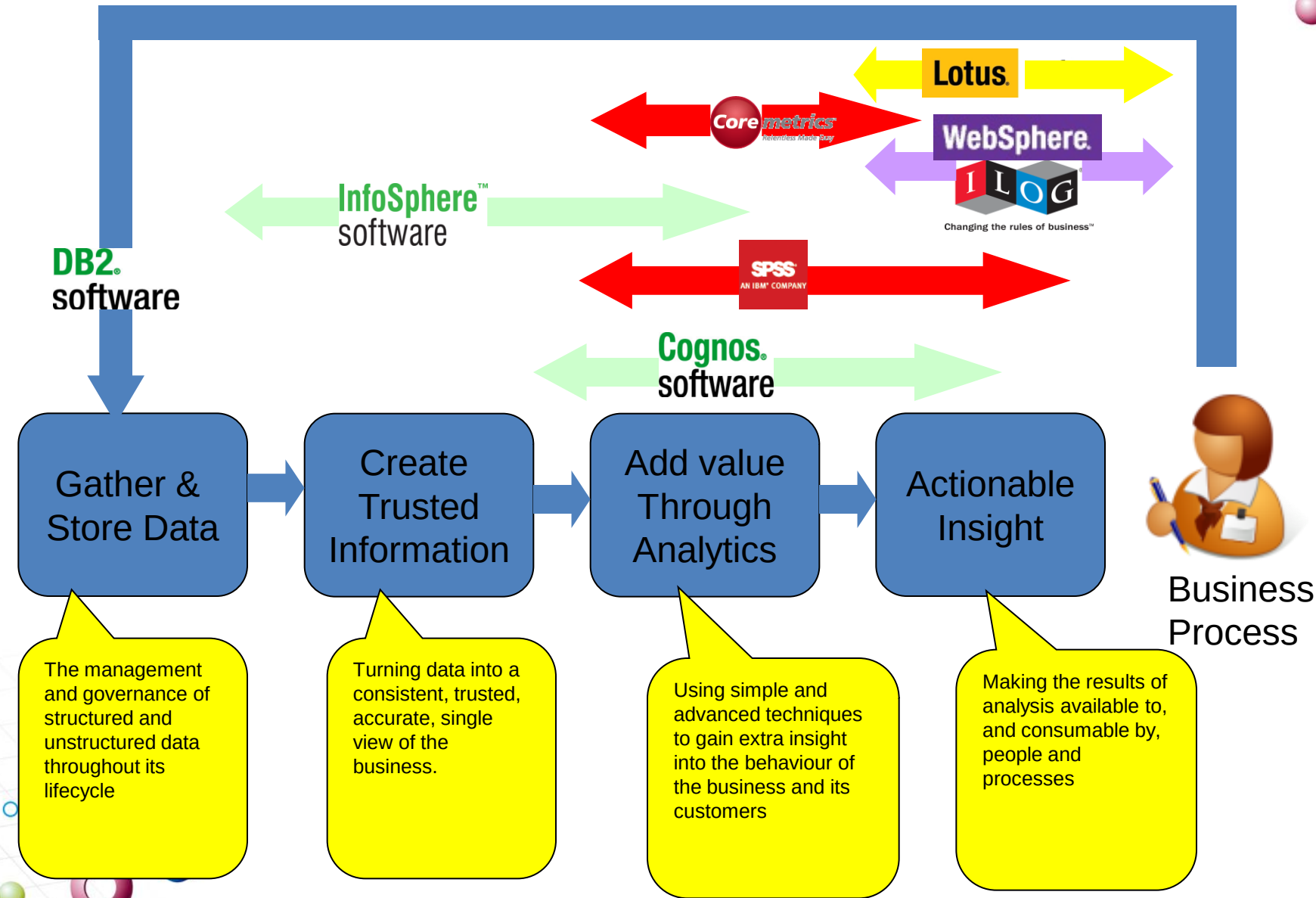

Questions

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