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# Information On Demand 2010 Comes To You

Unlock the True Value of Your Information

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**Information** OnDemand **2010**  
Comes To You

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

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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



# 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?



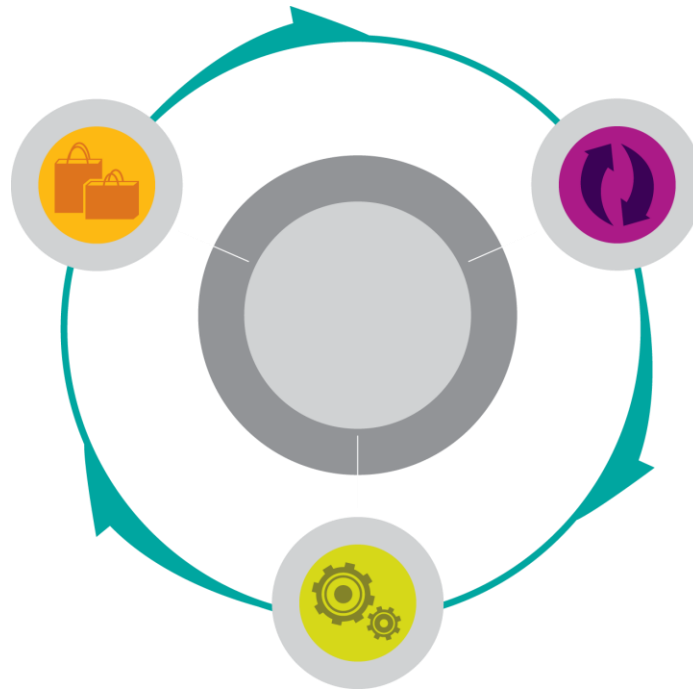
The smarter consumer is:  
**Intelligent**

**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.**

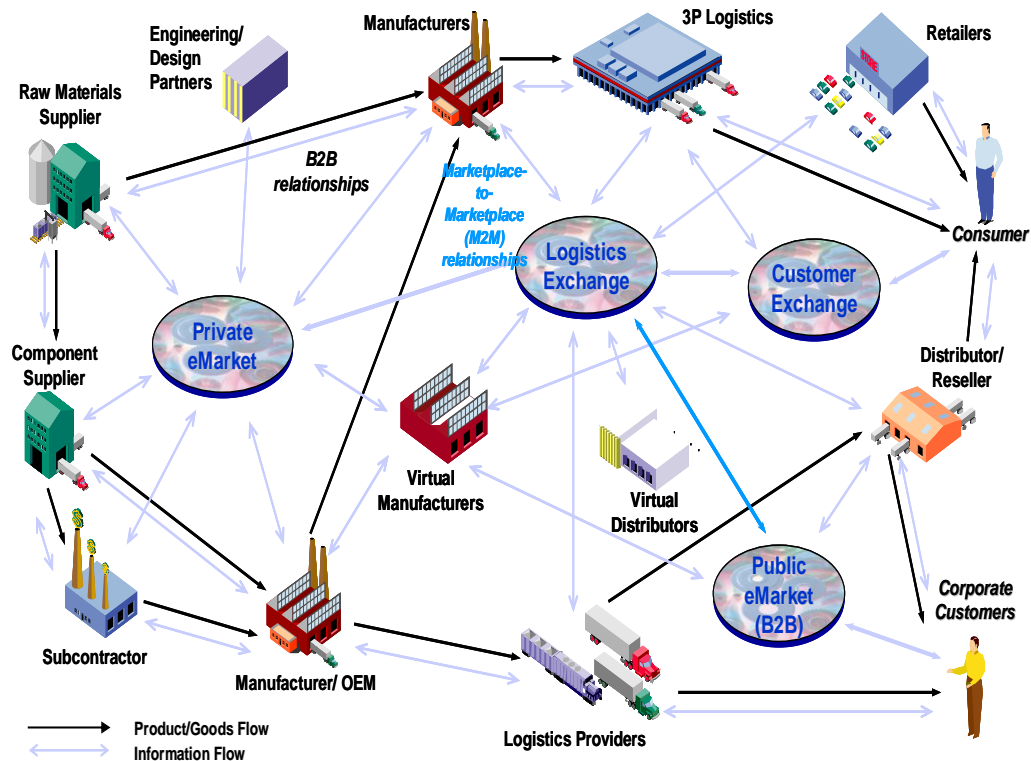
Gather customer information continuously and at every touch point. Manage and deliver assortments based on customer insights.

## **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

Operational Inefficiencies  
Supply chain disruption

## Customer

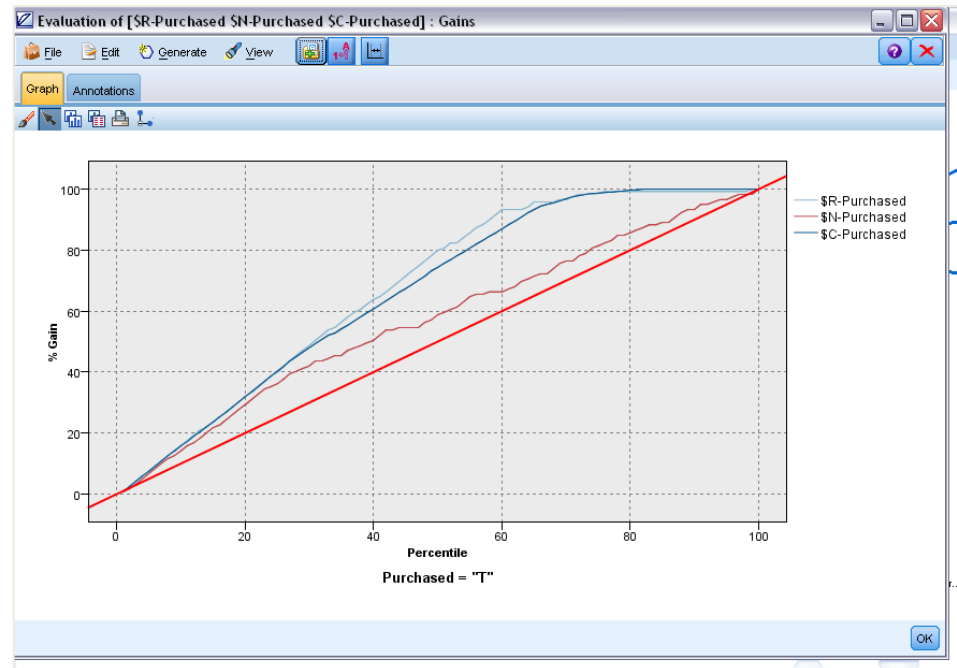
Selection does not meet needs  
Preferred product is not offered  
Desired product is out of stock  
Few new/seasonal items

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



# Localised assortment planning using predictive analytics

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The screenshot displays two overlapping windows from IBM Business Explorer. The background window, titled 'Table (3 fields, 33,264 records)', shows a table with columns 'Store\_ID', 'SKU', and 'Predicted\_Sale\_Likelihood'. The foreground window, titled 'Table (3 fields, 39,204 records) #1', shows a table with columns 'Store\_ID', 'SKU', and 'Predicted\_Sales'. Both tables list data for various store IDs (4 and 9) and SKUs.

Store_ID	SKU	Predicted_Sale_Likelihood
142	4 9270201	0.883
143	4 9100202	0.881
144	4 9100207	0.880
145	4 9130206	0.880
146	4 9140206	0.879
147	4 9150202	0.873
148	4 9330201	0.865
149	4 9140203	0.861
150	4 9150206	0.859
151	4	
152	4	
153	4	
154	4	
155	4	
156	4 1 9340202	113
157	4 2 9340203	108
158	4 3 9340204	103
158	4 4 9340205	92
159	4 5 9160206	75
160	4 6 9170205	66
161	4 7 9340201	63
161	4 8 9340206	61
162	4 9 9290205	59
163	4 10 9150213	59
164	4 11 9160208	58
164	4 12 9160209	58
165	4 13 9190201	55
166	4 14 9300203	49
166	4 15 9290204	48
167	4 16 9320204	43
168	4 17 9220207	42
169	9 18 9330204	41
170	9 19 9300204	34
171	9 20 9180202	32

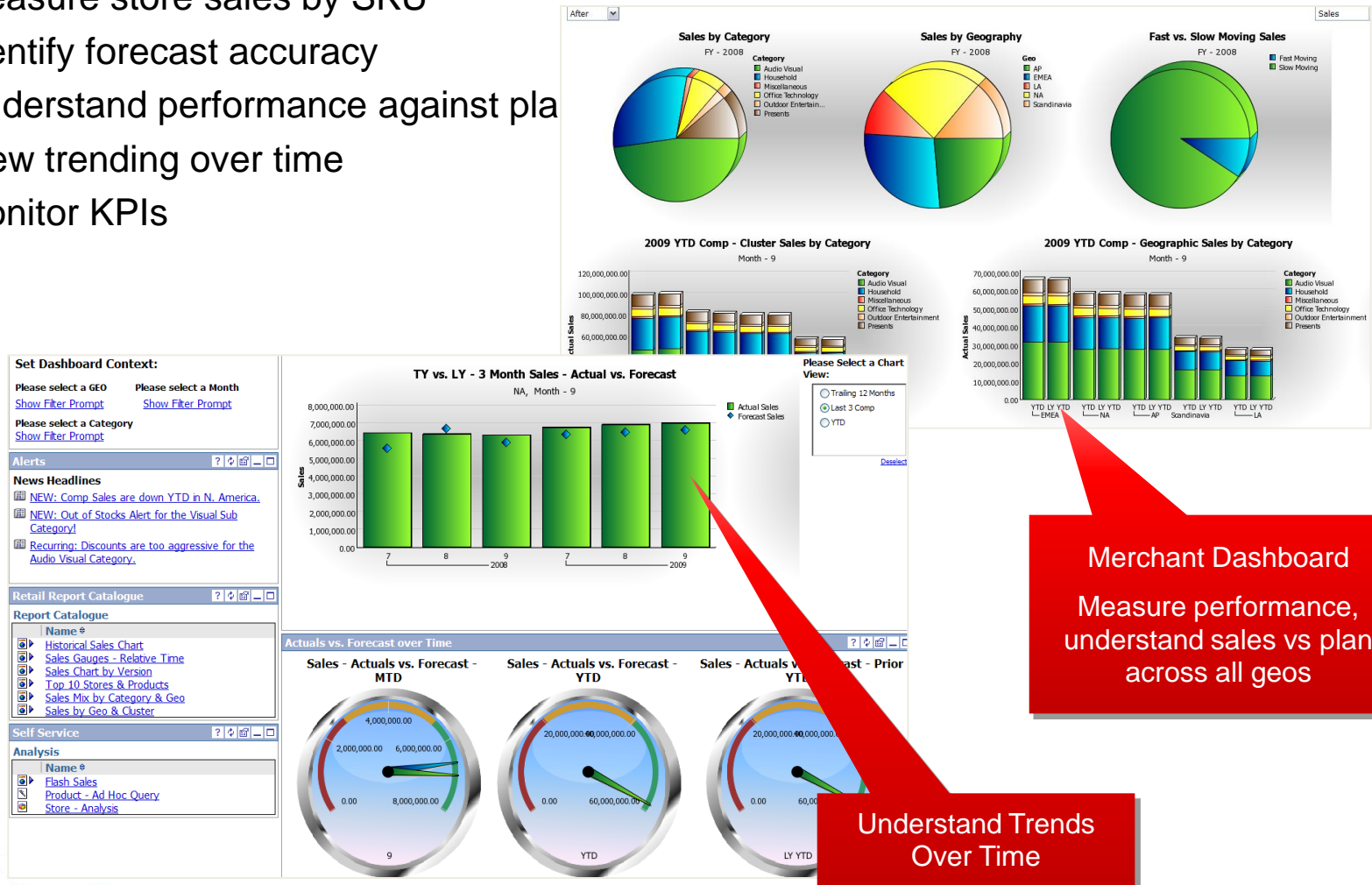
# Localised assortment planning using predictive analytics

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		2007 Actual	2008 Actual	2008 Actual Comp	2009 Plan	2009 Comp	2010 Plan	2010 Comp
<b>Gross Sales</b>	Prior Year	8,697,450	62,564,615	6.6%	86,964,815	39.0%	113,054,259	30.0%
Units	Prior Year	424,257.0	460,048.0	8.4%	610,216.9	32.6%	670,280.1	9.8%
Average Sales Price per Unit	Prior Year	416.28	409.32	-1.7%	348.25	-14.9%	349.00	.2%
Returns	Two Year Average	2,998,640	3,190,509	6.4%	3,755,134	17.7%	4,546,713	21.1%
Returns %		15.3%	15.3%	-1.1%	15.0%	-1.9%	15.0%	.0%
Returns % Override	Prior Year	.0%	.0%	.0%	6.0%	.0%	7.7%	28.3%
<b>Promotions</b>	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%	-1.1%	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%	-1.1%	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%	-2.2%	30.0%	100.0%	30.0%	.0%
Promotion B % Override	Prior Year	.0%	.0%	.0%	.0%	.0%	.0%	.0%
<b>Markdowns</b>	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 plan
- View trending over time
- Monitor KPIs



Merchant Dashboard  
 Measure performance,  
 understand sales vs plan  
 across all geos

Understand Trends  
 Over Time

# 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.





# Dashboards for operational performance

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**My KPIs - Month to Date**

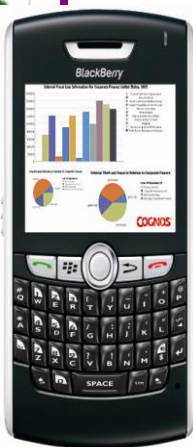
**Region 11**

Sales Actuals vs. Plan	Comp Sales	Labor % Actuals vs. Plan	Comp Labor %	Controllable Income Actual vs. Plan	Comp Controllable Income
(503,392)	721,976	(0.71%)	(2.62%)	806,615	116,442

**Region 12**

Sales Actuals vs. Plan	Comp Sales	Labor % Actuals vs. Plan	Comp Labor %	Controllable Income Actual vs. Plan	Comp Controllable Income
83,379	1,161,587	(1.30%)	(21.34%)	229,012	397,9

		P9			P9			P10		
		Sales	Total Labor		Sales	Total Labor		Sales	Total Labor	
Region 11	District 1 - Region 11	1,854,818	281,193	24.08%	2,097,568	320,843	15.33%	3,906,631	322,293	
	District 2 - Region 11	1,700,153	252,715	14.86%	1,883,448	310,943	16.51%	3,843,998	293,030	
	District 3 - Region 11	1,036,691	102,319	9.86%	1,127,864	124,924	10.98%	2,517,545	118,563	
	District 4 - Region 11	1,741,091	118,537	10.29%	1,288,982	148,834	11.51%	2,386,018	142,930	
Region 12	District 1 - Region 12	2,528,828	240,880	9.53%	2,860,208	298,793	10.44%	3,326,875	268,268	
	District 2 - Region 12	1,483,588	193,236	13.02%	1,675,542	229,028	14.27%	3,090,380	219,531	
	District 3 - Region 12	1,046,239	118,200	11.31%	1,181,037	146,843	12.45%	2,186,713	127,458	
<b>Total</b>		<b>10,790,209</b>	<b>1,287,020</b>		<b>12,123,549</b>	<b>1,586,972</b>		<b>22,976,158</b>	<b>1,486,791</b>	

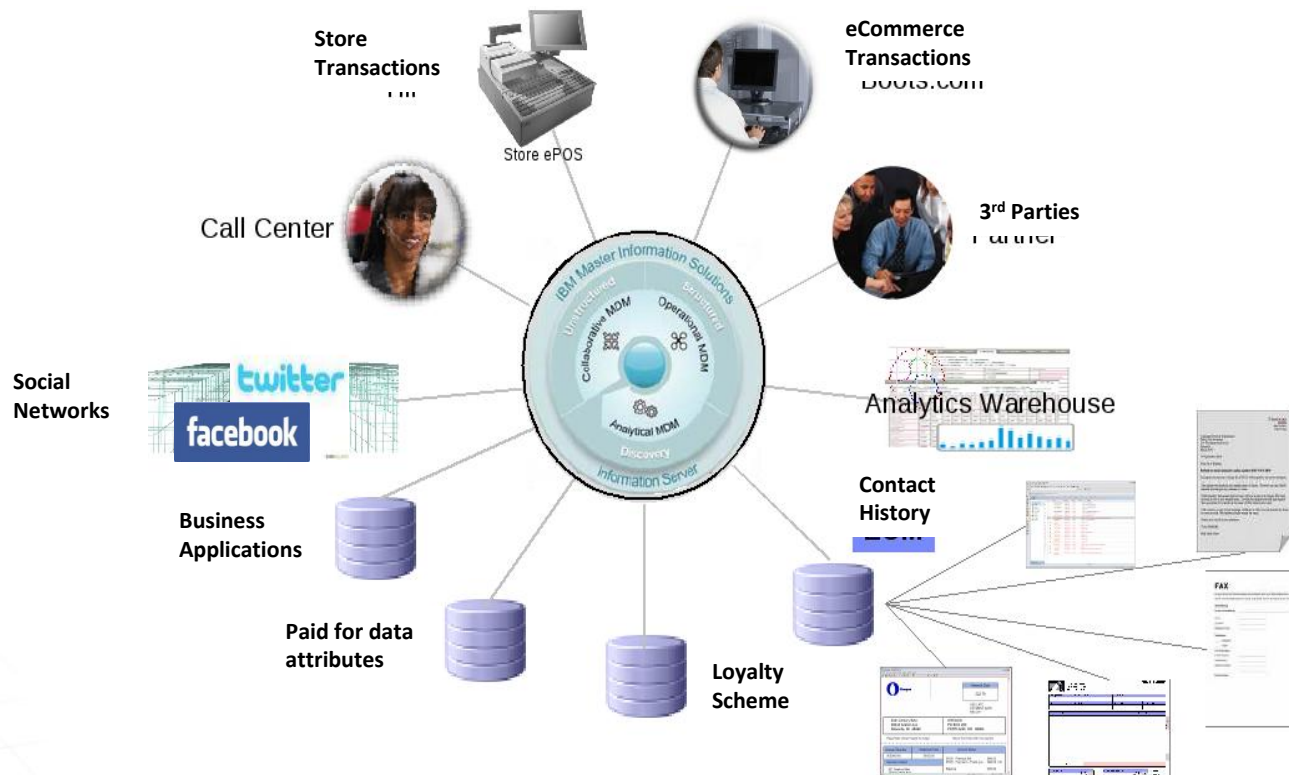


# Deliver a Smarter Shopping Experience



# Collect and refine consumer data

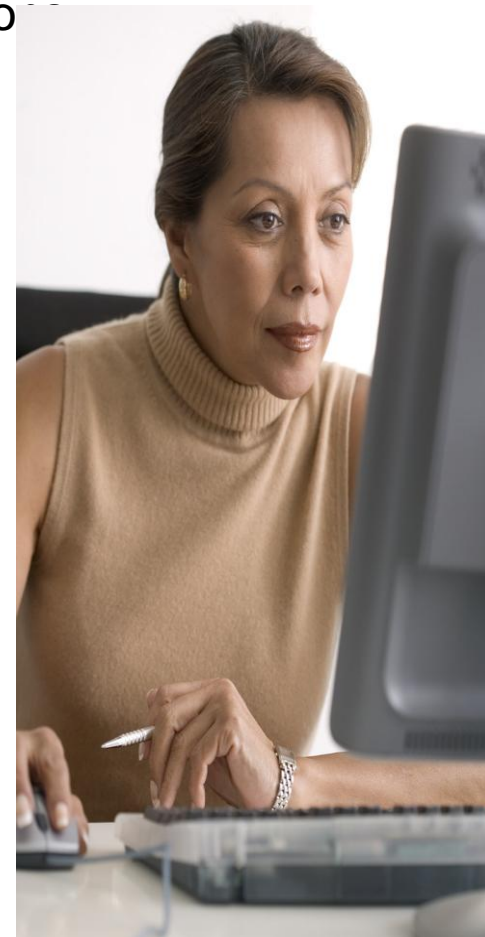
- Bring all customer data together into a single and complete view & make available to the business where it needs it



# Analyse consumer data to generate insight



- Market Basket Analysis and product association
- 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

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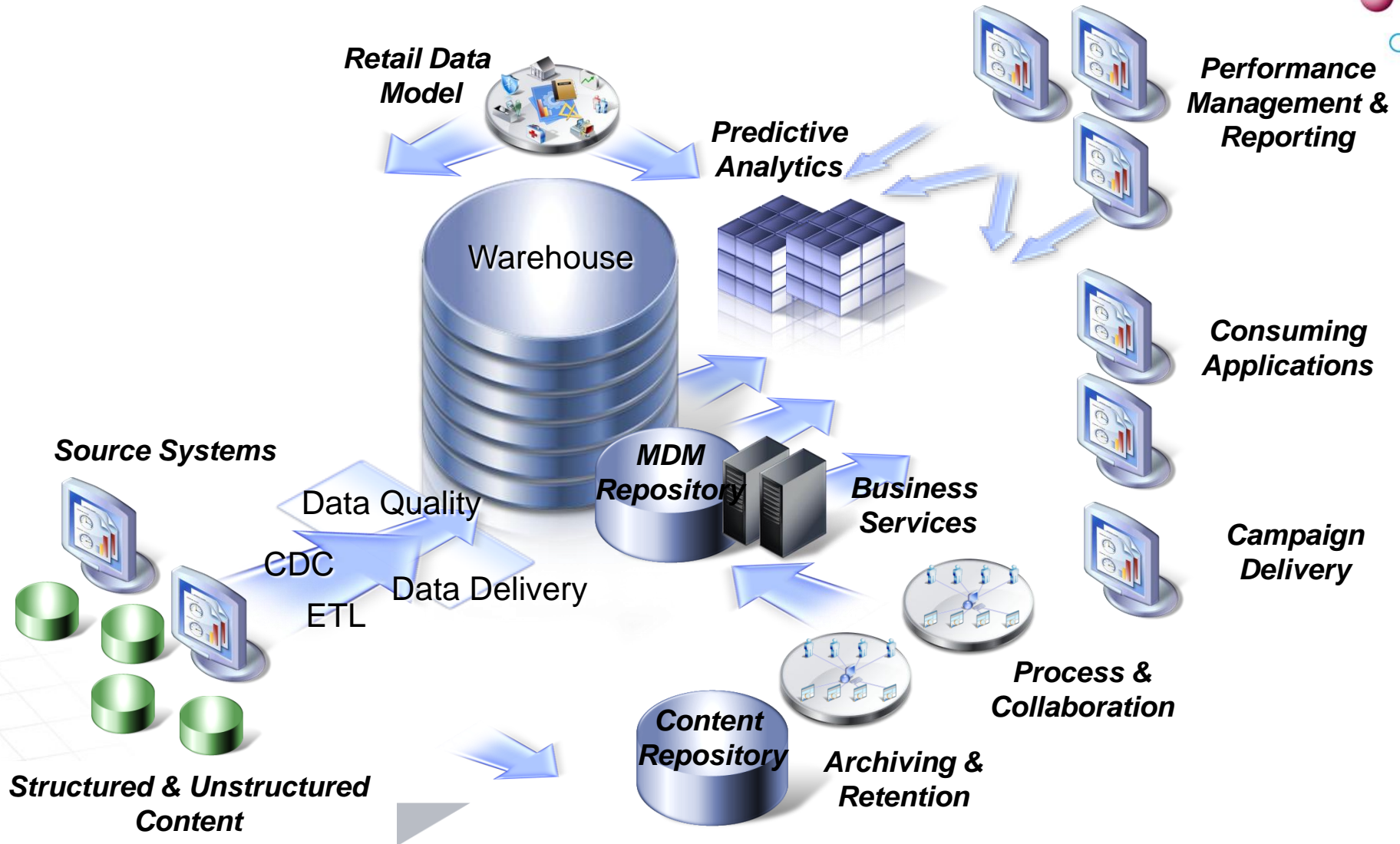
So what's needed?

The building blocks to deliver Information  
on Demand

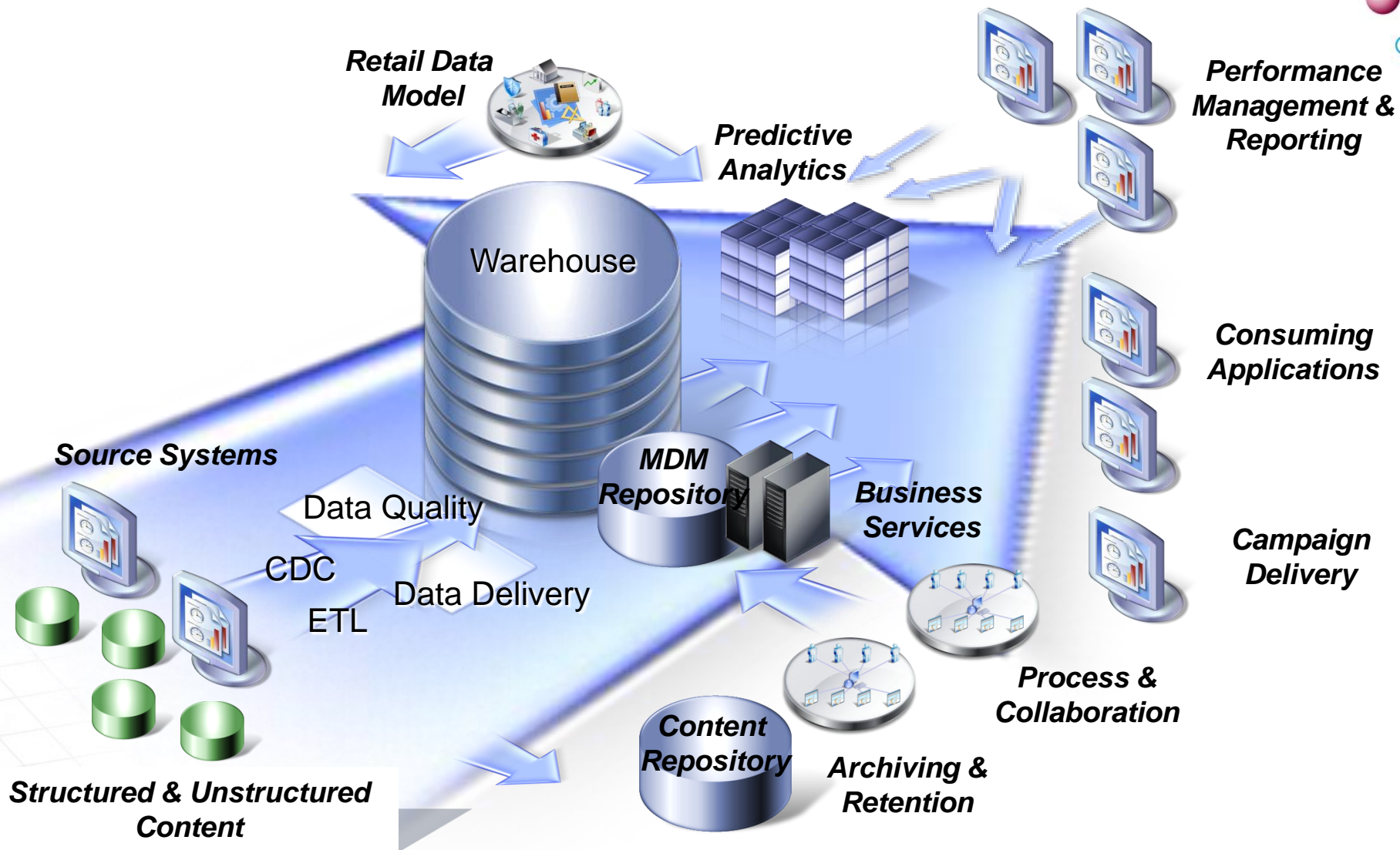
**Unlock the True Value of Your Information**



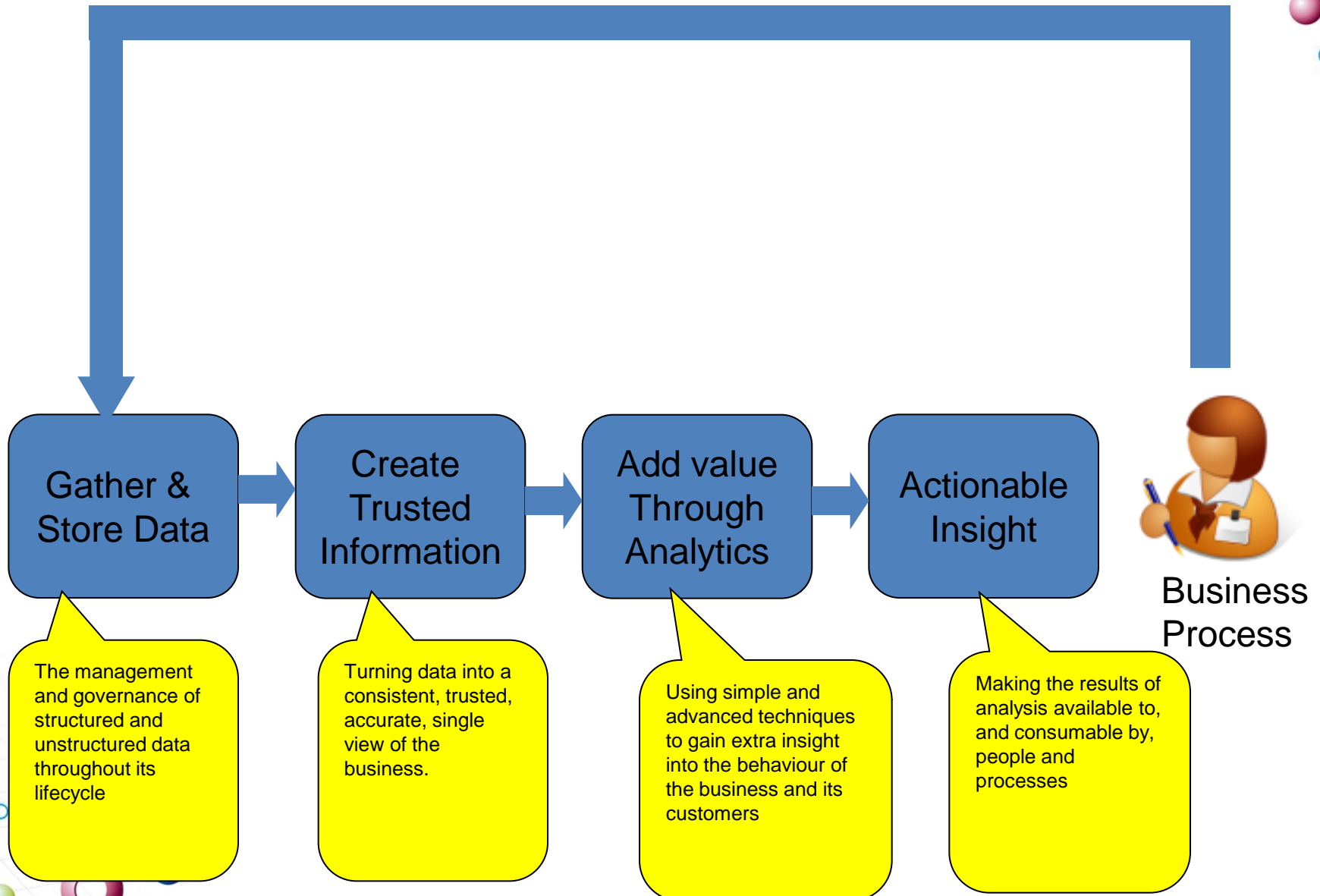
# An information supply chain



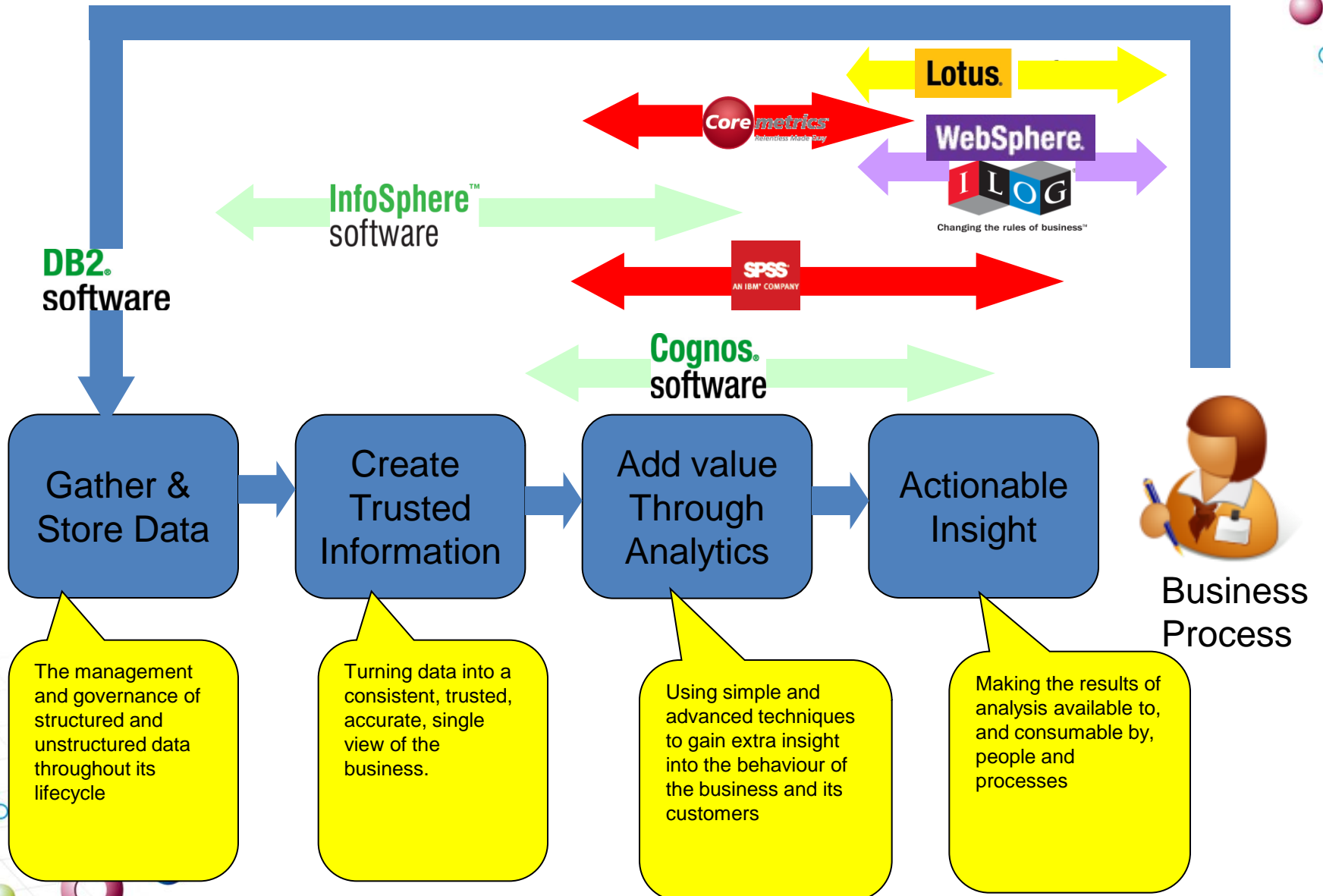
# An information supply chain



## Enhancing IBM's end-to-end capabilities



# Enhancing IBM's end-to-end capabilities



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# Questions

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