

COGNOS PLANNING FOR STORE OPERATIONS AND DEVELOPMENT



**PERFORMANCE
BLUEPRINTS**

COGNOS®

THE NEXT LEVEL OF PERFORMANCE™

RETAIL STORE OPERATIONS: MEETING CONSUMER DEMANDS

In the highly competitive retail industry, businesses must be able to respond effectively to consumer demands and drive up sales. Nowhere is this more critical than at the storefront, the customer-facing part of the business where all of an organization's planning and preparation come into play. After the hard work and contributions of everyone up and down the line—from corporate to the field—in the end, it comes down to the customer's shopping experience.

Ineffective planning creates a disconnect between store operations and corporate-level plans for market share, growth, and customer satisfaction. This can result in lower margins, reduced sales, and a less satisfying consumer experience.

To help retailers steer the right course and drive better store performance, Cognos offers two Performance Blueprints for business modeling, budgeting, planning, and forecasting: Store (P&L) Operations and Store Development.

INEFFECTIVE PROCESSES CONSTRAIN THE BUSINESS

In most retail organizations, planning cycles are long and tedious. What often develops is planning based on silos, where each area (finance, operations, merchandising, marketing) completes its own bottom-up planning.

These plans don't often support company strategic initiatives or tie into a single set of financial targets, which results in misalignment between corporate strategy and field execution.

Departments, divisions, regions, and channels can also be disconnected; and consolidation of silo plans is a time-consuming and error-prone process.

With so much effort spent on process and so little spent on analysis, it's difficult to keep pace with changing consumer needs, trends, and shifts in the marketplace. Businesses can lose out on potential profits if they are unable to react rapidly to changing conditions and plan for likely outcomes.

INEFFECTIVE TECHNOLOGY MAKES A WEAK PROCESS EVEN WEAKER

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

- *Spreadsheet-based systems* create islands of financial and planning data, where each contributor works independently. Spreadsheets are slow, disconnected, and error prone.
- *ERP or general ledger solutions* were not designed for sophisticated system-wide planning and budgeting.
- *Off-the shelf solutions* may offer broad generic functionality, but don't address the unique financial management needs of the business.

For data collection and roll-up, typical solutions can be painfully cumbersome. When you need to do complex modeling—constructing “what-if” scenarios, for example—most ERP, planning and budgeting systems, and especially spreadsheets, can grind to a halt.

THE COGNOS SOLUTION

Cognos Planning is a Web-based, high-participation solution for modeling, planning, budgeting, and forecasting in retail organizations. It lets management define the process, models, and content required, and then distribute pre-populated, Web-based templates to contributors across the organization. It helps retailers achieve consistent operating performance through highly collaborative, real-time planning.

With Cognos Planning, retailers can reconcile top-down strategic plans with bottom-up budgets and forecasts. The solution extends the planning process beyond corporate finance to retail, store development and field operations—the people who are accountable for the company, brand, banner, regional, district, or store level

By integrating with Cognos business intelligence capabilities, our planning solution also gives users the power to publish reports and conduct analysis based on information such as store attributes, capital investments in stores, sales, gross margins, item movement, labor cost, controllable expenses, and shopping patterns.

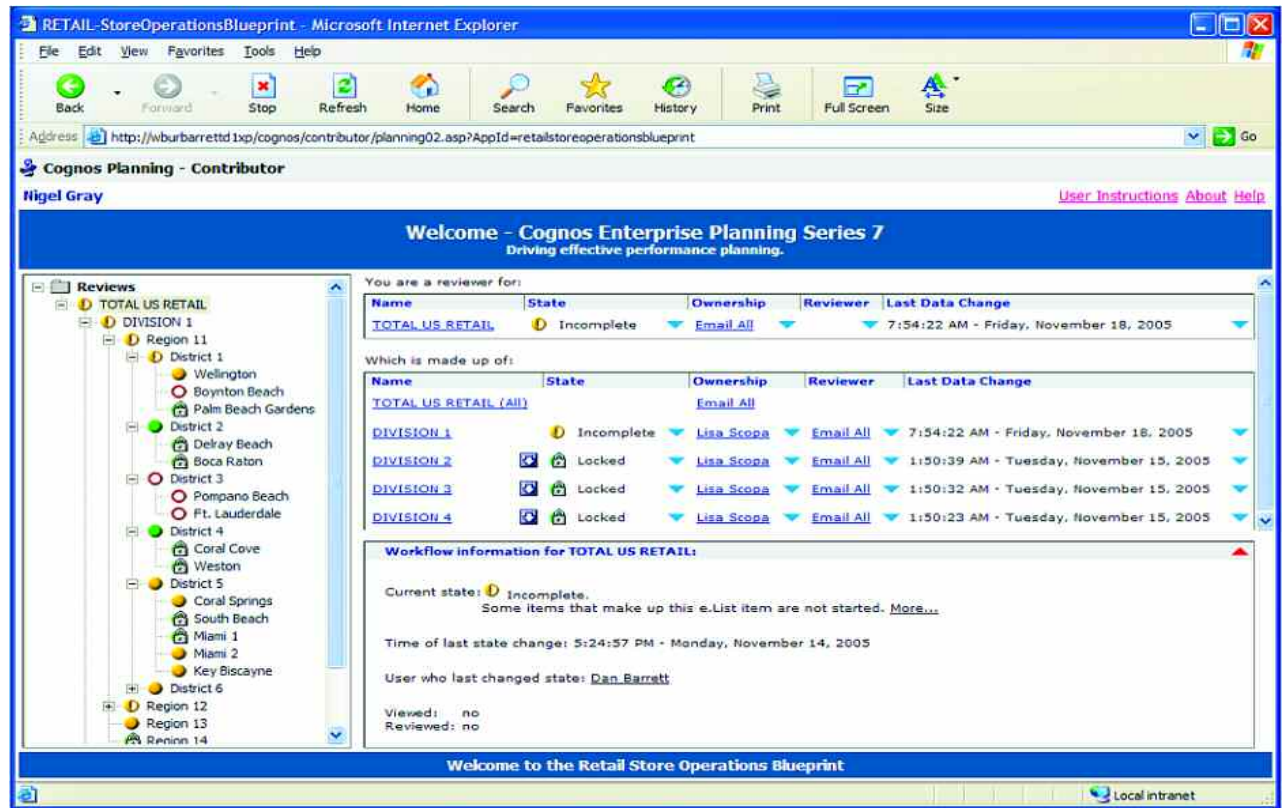
Using the Web, Cognos Planning collects more information from more people more often. As a result, up-to-date intelligence is available when needed, allowing more time for analysis and better-informed, more effective decision-making.

Performance Blueprint: Store (P&L) Operations Planning
Cognos Performance Blueprints are pre-configured solution building blocks that allow companies to jump-start their planning implementations. The Store (P&L) Operations

Blueprint is designed to help retailers complete store-level revenue and expense planning. Based on retail-industry best practices, the Blueprint was developed with input from some of the leading retailers in the world.

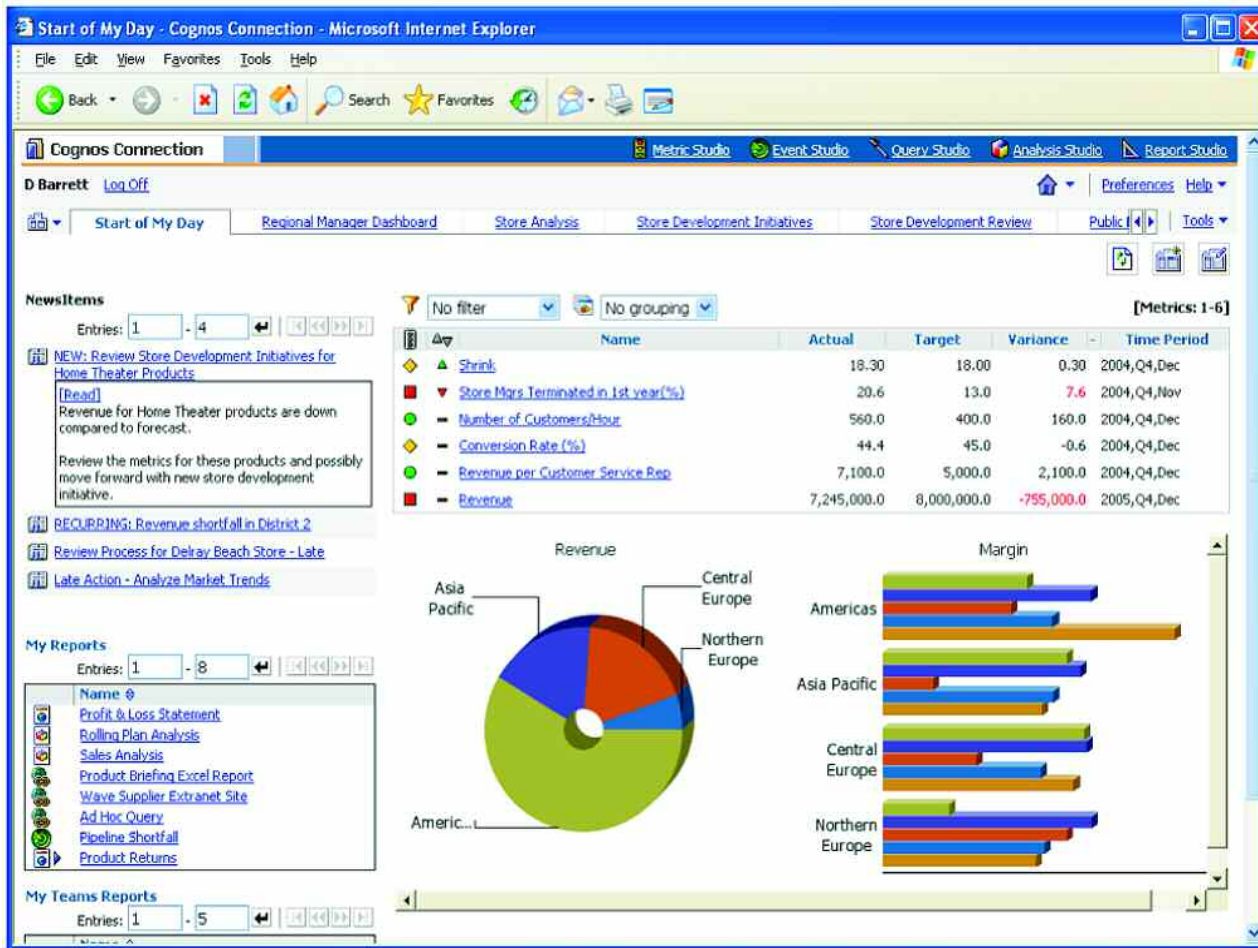
Going beyond annual planning and budgeting, the Blueprint provides simplified and streamlined planning and forecasting functionality:

- Driver-based planning for key revenue and expense lines allows organizations to identify and manage store attributes—store type, format, size, opening dates—and provide recommended standards for key controllable expenses such as labor and staffing levels.
- Profile-driven controllable expense and revenue planning lets organizations input standards so expenses, such as credit card processing fees, are automatically calculated based on sales and company-negotiated costs. Build in impact on revenues, staffing, and associated expenses for seasonality, based on profiles and history to reduce time spent on calculations and to focus on executing initiatives and improving performance.
- Initiative planning functionality allows retailers to assess and plan for the store-level impact of initiatives—such as remodels, adding new departments, and conducting promotional programs or limited time offers.
- 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 complete the work. Workflow capabilities facilitate “Voice of the Store” collaboration and



Integrated Workflow provides a visual scorecard for managers to track and manage the planning process.

- accountability throughout the organization, and allow chains to deploy planning at whatever level makes sense (i.e., regional, district, or store-level).
- Exempt and non-exempt headcount position-level planning; as well as revenue, store type/size driven headcount planning models based on store profiles and baseline standards.
- Break-back ability to automatically pro-rate revenue, margins, or costs to meet goals simplifies planning updates and identifying impact on key metrics.
- What-if modeling allows managers to model the financial impact of business decisions for multiple scenarios to determine the best approach.
- Calculated metrics summarization and linkage to scorecards and reports allows businesses to measure key revenue, margin, and expense performance indicators for operations—by division, region, store, department, and account.



This store development dashboard provides key information for the retail finance manager or VP. In the upper right, a metrics summary shows key highlights and trend indicators. The chart below it indicates revenue by area and a comparison to margin. The bottom and middle left areas show reports that are of key importance to the manager and team. In the upper right are event alerts that contain links to relevant portals and reports.

The Cognos platform integrates the planning process between primary areas—finance, operations, merchandising, marketing—to ensure all departments are working towards common strategic goals and numbers.

The rapid consolidation of store-level plans also reduces planning cycles and allows chains to move to rolling forecasts that better suit the dynamic nature of the retail industry.

Timely re-forecasting also allows the business to adjust to external factors, such as business disruptions, consumer demand, competition, or economic changes.

Performance Blueprint: Store Development Planning

To optimize investments, retail organizations need to be able to model and quantify the financial impact of store development initiatives—to determine which projects will deliver the highest business benefits, provide the best return, and support key corporate objectives.

The Store Development Planning Blueprint allows retailers to plan initiatives by selecting required resources, determining project expenses, and forecasting capital expenditures. It also lets them model and forecast returns for projects based on internal risk standards.

The Blueprint provides simplified, storewide planning and forecasting functionality:

- Financial planning of the revenue impact, ROI, and costs associated with store development projects including: new store construction, remodels, and upgrades such as adding fixtures, equipment, departments, or services.
- Initiatives can be applied to regions, stores, or groups of stores. Allocation of revenue impact to stores is by week or based on a comparative percentage of prior-year revenue.
- Chains are able to do what-if analysis for store development scenarios. This includes determining how many new stores to open, when and which stores to remodel, and what types of upgrade programs to implement. Planners can also model the financial impact of multiple scenarios to determine payback period and net present value.

- Managing and classifying line items as capital purchases or expense items simplifies the planning process by allowing planners to define items and not worry about their financial treatment.
- Integrated workflow drives collaboration and streamlines the approval and monitoring process. Alerts deliver information to stakeholders when stores are impacted by new development initiatives.
- High participation via Contributor drives accountability and visibility. Store development staff can input or update plans while working on-site or with suppliers and contractors.

PLANNING PREREQUISITES

Scalability. Cognos Planning fits businesses of any size. Its Web-based design and attention to bandwidth economy make rolling it out to 1,000s of stores as easy as rolling it out to 10.

Flexibility. An organization shouldn't change its structure to fit someone else's off-the-shelf system. Cognos Planning is flexible enough to fit any business. Restaurant, convenience, supermarket, and specialty chains of all sizes use Cognos for planning.

Compatibility. Cognos Planning capitalizes on existing technology investments and shares information with other solutions—and readily accommodates future growth.

- Through scorecarding and reports, users can measure and communicate the impact of development projects such as revenue and expenses by store, region, initiative, and type.

Through integration with the Store Operations Blueprint, approved development initiatives and timelines are communicated to the field so managers can plan for operational impact. For example, during a remodel, sales would likely decrease, so staffing can be adjusted accordingly. Store operations integration also ensures corporate P&L and budgets are updated based on initiative results.

“Aside from the obvious productivity improvements to be realized from using Cognos Planning; the real value lies in the alignment, integration and measurement of store level plans and actions with overall company-wide objectives. The ability to track store level initiatives and evaluate their impact upon overall results allows management to dynamically adjust tactics in response to opportunities or threats in the marketplace. This capability goes far beyond even the most ambitious spreadsheet based planning model.”

David A.J.Axson, President of The Sonax Group
“an Advisor to the Cognos Innovation Center”

SPEND LESS TIME ON PROCESS; MORE TIME ON STRATEGY, ANALYSIS, AND EXECUTION

Cognos Planning uses a sophisticated, bi-directional calculation engine to manipulate and analyze data. It uses the

Web to accelerate and take the pain out of data collection and performance measurement, and makes it easier to do what's most important—plan for a better store-level customer experience and drive sales and margins. Cognos Planning provides access to powerful reporting and administration tools designed for finance personnel and for all levels of operations.

IT managers will also see value in Cognos Planning. At the back end, it uses common technology standards. At the front end, its network-friendly architecture minimizes network traffic, while its choice of Web or Excel interface means easy deployment and maintenance with minimal end-user training.

Web-based planning and budgeting. Cognos Planning helps retailers plan, manage, and control financial resources efficiently and cost-effectively.

Easy data access and manipulation. The centralized database and powerful calculation engine are designed to support rigorous budget analysis.

Web-based budget development. Cognos Planning facilitates a decentralized budget approach with easy data collection and aggregation. The approach involves all managers accountable for delivering business results.

Powerful reporting and analysis. Our planning solution offers seamless access to Cognos reporting, analysis, and scorecarding to monitor both financial and service delivery performance and make decision-making easier.

ABOUT COGNOS

Cognos, the world leader in business intelligence and performance management solutions, provides world-class enterprise planning and BI software and services to help companies plan, understand and manage financial and operational performance.

Cognos brings together technology, analytical applications, best practices, and a broad network of partners to give customers a complete performance system. The Cognos performance system is an open and adaptive solution that leverages an organization's ERP, packaged applications, and database investments. It gives customers the ability to answer the questions -- How are we doing? Why are we on or off track? What should we do about it? -- and enables them to understand and monitor current performance while planning future business strategies.

Cognos serves more than 23,000 customers in more than 135 countries, and its top 100 enterprise customers consistently outperform market indexes. Cognos performance management solutions and services are also available from more than 3,000 worldwide partners and resellers. For more information, visit the Cognos Web site at <http://www.cognos.com>.

ABOUT THE COGNOS INNOVATION CENTER

The Cognos Innovation Center was established to advance the understanding of proven planning and performance management techniques, technologies, and practices. It is dedicated to transforming routine performance management practices into "next practices" that help cut costs, streamline processes, boost productivity, enable rapid response to opportunity, and increase management visibility.



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