INTERVIEW WITH PETER WHARTON

Eric Green: Hello and welcome to a new podcast series from IBM software that explores the challenges IT managers and business professionals are facing today. I'm Eric Green and I'll be talking with a range of experts to discover new perspectives, approaches and examples that can help meet these challenges and introduce you to the capabilities of smarter software from IBM. So let's get started.

Welcome back to our next episode. Today we're going to be talking about commerce, a subject that many may not be fully familiar with but one that's extremely important for organization, enterprises worldwide, and here to discuss this with us is Peter Wharton, Manager of Commerce Product Marketing for IBM. Peter, thanks so much for joining us.

Peter Wharton: Thank you for the invitation.

Eric Green: So Peter, to start with, could you please give our listeners your definition of commerce.

Peter Wharton: Sure. You know, I think commerce is one of those business processes that everybody is familiar with, whether from their jobs or being a consumer. It's all about the interchange of selling with goods and services between either a business to business or business to consumer. And it's really about that complete life cycle from order capture through to cash. So it's about how you win and capture that order, it's about how you receive and process those customers' orders, it's how you fulfill, with shipping and logistics, and through to invoicing and payment.

Eric Green: Excellent. That's a great frame of reference and starting point. So in addition to the definition, perhaps you can let us know some of the challenges organizations are facing today.

Peter Wharton: Sure. And I think one of the largest challenges for companies in commerce is managing the customer experience. You know, it's about delivering the perfect order – on time, in full, undamaged. And that's not as easy as it sounds. It's really about making it easier to do business with, taking an approach where instead of dictating your processes on your customers, it's taking what I would call an outside-in approach, and actually looking at how your customers want to do business with you and removing any complexity from that process from them.

And then the second point is that whole complexity aspect and complexity evolves from a number of different things, and I would say if you start looking at how you manage selling across multiple channels, how you manage multiple market segments, how you manage the supply, your sources of supply, multiple pricing promotion rules, and then some of the complexity behind the underlying systems that you have with the RP.

And then there's the volatility, mergers and acquisitions, changes in demand, regulatory changes, and then supply chain disruptions. These are some of the complexities that customers face, and then when you expand that and you look at the global market, and really everybody now plays in a global market, it's about visibility into your supply chain. It's about managing that extended supply chain. It's about dealing with more partners and having the visibility into the goods as they flow through that supply chain. So those are some of the challenges facing companies with commerce.

Eric Green: That's extremely interesting. I like your analogy from the outside in. So it seems that over time, sort of technology has – it's kind of a double-edged sword, right? So without the kind of technology and dashboards and ability to look into asset management and inventory and all of those things, it's been very difficult to do commerce the way you do it today. But on the other hand, now you've got this deluge of information that you're bombarded with and getting people to actually parse through it and figure out what's important and how to put it together is almost equally as challenging. Is that not sort of the case?

Peter Wharton: Absolutely. You know, there are two aspects. First you've got to have the integration to be able to get access to that data, but then once you are integrated, just the sheer volume of data, and looking at that data and directing it to somebody who can actually act on that data. So the data becomes very role specific. But also you want to be able to filter that data so that you're only viewing and managing by exception as opposed to looking at every single milestone event that happens as you go through the commerce life cycle.

Eric Green: Absolutely. Very interesting. So I was hoping you might be able to give us some different areas covered by enterprises needing commerce solutions.

Peter Wharton: IBM looks at commerce and the solutions that you require, the technology that you require, and puts it into basically four

categories. We talk about selling solutions, we talk about order management, we talk about supply chain management, and then underlying that is a technology around optimizing those processes. So I'll take each one of those, starting with selling, it's about capturing that order, and it's important that you look here at not just from a goods or products standpoint, but that you look at it from goods and services. This gives you an opportunity to expand what you sell to your customers, it allows you to increase the value that you bring to your customers. But the complexity of starting to add services is that you start getting into a bundling type situation. So you've got the product and service that the customer's going to want to purchase together at the time of the transaction.

And then when you look at selling you need to look across channels. So when you're looking at the different channels, and we really are in a changing, digital world, a virtual world where more and more people are connected, and you need to be able to manage the orders through your traditional channels like field sales, like retail stores, like call centers.

But now you also need to be able to deal with the web, you need to be able to deal with mobile, and you need to be able to deal with social media networks that are always – that your buyer is changing the way they buy products from you, and they're looking to research, price, across all those different channels. And they want that experience – going back to one of the challenges – they want that experience to be seamless. They want to be able to start maybe online, then go into the call center, then talk to field sales or talk to somebody in a retail store, and be able to modify that order all the way through the transaction.

Eric Green: Very interesting. I mean the classic, old time, example, right, was call centers, when you used to call your call center and your MasterCard or your Visa and you'd talk to them and you type in whatever digit, a 13 digit card number, and then you get on the phone and the first question they ask you is, you know what's your card number? Right? Because these systems weren't talking to each other. And that was a challenge in and of its time. Now, as you're saying, multiply that by mobility, the web, multiple different social media groups talking to each other and people being able to purchase on different sites. I mean, I'm guessing the last year and a half, I mean sort of 12 to 18 months alone has probably dramatically changed the way people are approaching this. Is that not true?

Peter Wharton: Very much so. I mean there's been an explosion, really, in the last 18 months from a mobile channel, more and more customers are looking at how they can leverage social networks to interact with their customers. But again it all comes back to that customer experience. You talked about, you know, from a credit card perspective. If you want to upset your customers, you know, just ask them to supply the same information multiple times as they come or interact with you through the different channels.

The second way we look at the commerce process is order management. And this is all about, you know, having captured the order, how do I manage and orchestrate that order? And it's not that you can always just treat an order as a single entity. You may need to break that order up into its individual line items. And the reasons that you may need to do that, particularly from a business to business standpoint, is that your back end systems are still aligned by divisions, and that order is for the two different divisions. You need to be able to route that line item to division 1 for the first line item and the second item needs to go to another division.

So being able to orchestrate by line item, but also to be able to orchestrate by who you want to actually fulfill the order. So one way of expanding and growing revenue is by increasing the merchandize you offer to your customers, and an easy way to do that without increasing your inventory is to actually get into sort of drop-ship situations. So how are you managing that fulfillment processes? You know, are you doing it through drop ship, are you doing fulfillment direct from a store, are you doing it from virtual warehouses or partners, third party logistics providers? These are some of the challenges around fulfilling that order.

And then one of the key aspects around the order fulfillment process is making a commitment to the customer, telling them when you can fulfill that order and when they will receive that order, that available to promise based on a view of your inventory, regardless of where the inventory sits in your supply chain. You know, is it in transit, is it in a distribution center, does it sit in a forward stocking location or in a store, is it going through a returns process at the moment? Those are all things that you need to be able to consider as you look at the available to promise or fulfillment commitment you make to customers.

And then the third part is the supply chain management. And this is all about, you know, anticipating, controlling and reacting to

what happens in your supply chains. And this is part of the complexity, you know. Supply – you don't – and companies don't have a single supply chain anymore. They need to be looking at their supply chains based on different requirements. They need to manage those supply chains based on perhaps ____, perhaps based on cost, or based on the velocity that they're actually selling that product. Because they're going to need to move those goods in different ways and maybe in different size orders in order to meet those different market requirements.

So it's about managing inventory, it's about looking into different locations where you store that inventory, having that global inventory view, matching that and linking it to your transportation or logistics strategy, and being able to deliver that to where you need the inventory to meet your market demand. And then it's having visibility into that whole process, linking back again to what we talked about and sort of the available to promise, but also visibility as a way to help you drive down the amount of inventory that you actually hold as a total entity for a company.

And finally, there is optimization, and this is the underlying process that allows you to take the guesswork out of making decisions, it's about making those decisions faster and smarter. It's about looking at how it impacts your business. For example, who will be our most profitable customer tomorrow? What price will maximize profit from sales? And this type of information needs advanced analytic capabilities, and it's not just looking at, you know, historically what you've done or making a prediction about what's going in the future. It's actually making a recommendation on how you can get the best results for your organization. And in the past, this has been done by almost somebody just taking a guess at what would work based on prior experience. But now what we're doing is we're actually basing and optimizing your commerce processes based on real data.

Eric Green: Excellent. So this has been great. I mean so far you've gone through and really sort of talked about the definition and the challenges and sort of a view of the different aspects around commerce. Could you give our listeners some example of how this is being used by enterprises?

Peter Wharton: Yeah, I'd love to. There's so many examples, it's always difficult to choose. But just maybe to give you just a quick snapshots of some customers, and I'll start with maybe a retailer like Best Buy, you know, who is experimenting with the mobile channel. You

know, one of the biggest challenges for retailers is when you walk into a store and they have an out of stock situation for the item you want. Being able to have an associate who can, with their mobile device in the store, not have to wander off to a back office storeroom, but there in front of the customer, be able to look up inventory on a device, offer the customer different fulfillment options. You know, we can have it shipped to this store, we can hold it in another store for you and you can go and pick it up, or we can ship it to your home. Offering that sort of customer service is a great way to service their customers.

Now a look at other customers, another big retailer who is using inventory in their stores as part of their fulfillment process. Now this is a great way to drive cost out of your supply chain, shipping the product from closer to the consumer rather than from a more distant distribution center. But it also results in a reduction in markdowns. You know, typically with seasonal type items, you know they have a shelf life, and if you can see where you have inventory and make decisions and ship from those locations rather than force a markdown, you're going to drive revenue from your organization.

Looking at a large consumer packaged goods, CPG Company, they're doing some fantastic things from a transportation perspective. You know, you'd think transportation is fairly straightforward but there is complexity when you're dealing with thousands of suppliers, suppliers of raw materials or packaging, and managing that inbound process to ensure that your production system runs as lean a way as possible is a very beneficial move for an organization. But if you then tie that inbound process to your outbound process, and you look at how you can consolidate orders into larger shipments which typically have lower costs and do a multi-pickup, perhaps even a multi-drop-off type transportation planning process, you can really drive costs out of your supply chain.

And then I look at companies like a European container transport company, who were challenged with managing or were in the situation where they typically had to move millions of containers every year that were empty as part of a backhaul process. So they'd move goods for a customer, but then had to return the container empty to another location to pick up the order. To be able to feed that information into an optimization engine that could assess where was the best location to source the container from based on demand and based on constraints in the market enabled

them to save millions of Euros each year by reducing the number of backhauls, empty backhauls they did with those containers.

Eric Green: That's great. Those are some great examples. We have a couple of minutes left, I was hoping Peter you could talk about how IBM is innovating in this space.

Peter Wharton: Yeah, I'll give you a couple of quick examples. We talked about optimization and it's closely linked with advanced analytics. But think of being in a business process where you want to have access to performance that's occurred so that you can make a better decision. I'll give you a couple of examples. You're creating a quote for a customer, and you want to view what quotes in the last week, month, have been most successful from a discount perspective, so that you can pitch the right price to this type of customer and win that business is a great example. So embedding those analytics as you go through the quote process is a way that we're innovating in the process.

A second one that I would take would be around more of an agility standpoint. So things are getting much more dynamic through the commerce process. No longer are static business rules something that are going to work and make it easy to win those deals. So the ability to have business users modify, change those rules, very dynamically, for example, based on margin calculations, is another great way to drive revenue for your organization.

Eric Green: Excellent. Great stuff. Well Peter, I want to thank you so much for joining us with this podcast today.

Peter Wharton: Thank you very much. I enjoyed it.

Eric Green: Thanks for listening. Please do visit IBM.com/software to connect with our experts, continue the conversation, and to learn more about smarter software from IBM. Let's build a smarter planet.