

e-business on demand for retail

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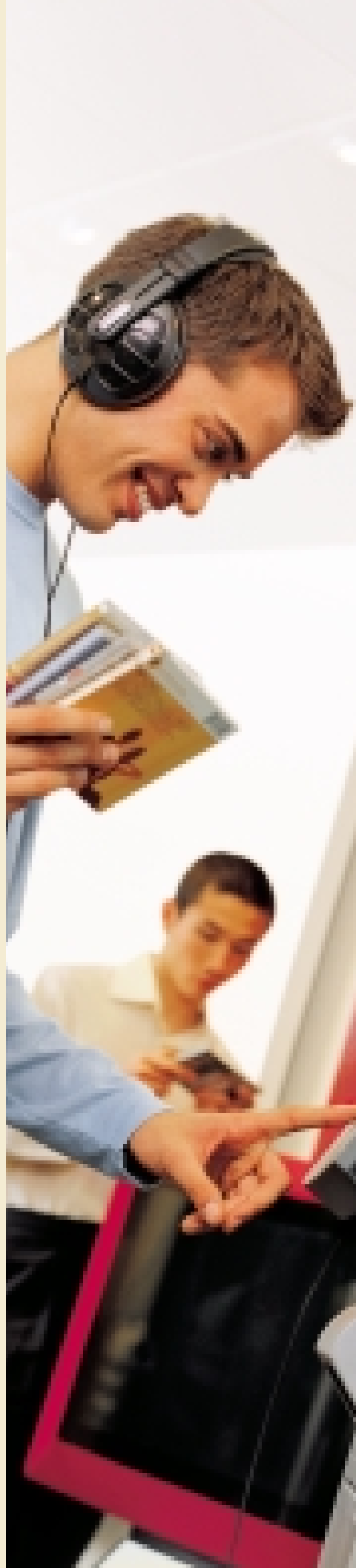


@business on demand

It's no secret that today's consumers want good value for their money, personalized service and the ability to peruse and purchase across multiple channels. The retail industry is charged with serving these discriminating shoppers directly, consistently and efficiently, 24x7. The challenge is especially potent in the face of ongoing economic uncertainty and universal mandates for tangible returns on every investment.

Enter the most sophisticated incarnation of e-business so far – *e-business on demand*.™ Up to now, most businesses focused their attention on establishing a Web presence and, subsequently, integrating the corporate site with back-end processes. e-business on demand is the natural next step, representing a synthesis of business and information technology – adaptable, highly responsive computing facilitating dynamic, real-time interactions across and beyond the enterprise.

When applied to the retail environment, these features can help companies deliver a superior customer experience . . . operate stores efficiently and effectively . . . collaborate with trading partners . . . speed time-to-market . . . and realize integration across business units and departments. In other words, afford end-to-end enterprise optimization and top-line value for retail customers and companies alike.



Trends and directions

Recent market research sheds light on a variety of common challenges shaping the retail sector.¹ These include:

Empowered consumers

Driven by time, price and information, consumers are demanding high-value, multichannel shopping and personalized care. At the same time, customer loyalty is increasingly elusive as customers grow more comfortable “shopping around” for full-service via the Web.

Competitive Darwinism

Global expansion and rapid industry consolidation require retailers to differentiate themselves via highly focused value propositions or immense scale.

Technological tipping points

Technological advances enable operational and cost efficiencies, and open opportunities for rapid adaptation of dramatic new business models.

Real value and economics

Recent economic unpredictability at the global level requires that executives show true and rapid economic returns.

As a result of these trends, retail executives are focusing on achieving market differentiation, reinvigorating customer relationships, strengthening and streamlining the supply chain, seizing new growth opportunities and maximizing operational effectiveness. Individually, these are formidable challenges; together, they present a truly daunting proposition. However, with an on-demand mindset and a supportive IT infrastructure, companies can rapidly transform themselves at both the business and IT levels.

Specifically, an on-demand business must achieve a high level of competency in realizing:

An empowered team that leverages dynamic information on products, services, prices and inventory to better serve the customer

Expert managers aided by accurate, relevant business information, including realtime alerts, task management and training, and development updates

Motivated shoppers driven to buy by customized, dynamic messages and promotions

Satisfied customers who benefit from easy, multichannel access to real-time information, personalized service and a choice between self- and assisted service

Streamlined store operations made possible by computer-aided ordering, continuous replenishment, optimized assortment and stock management

Seamless trade among trading partners, facilitated by price synchronization, product design collaboration, as well as supply chain management and other efficiencies

Migrating to the on-demand model enables companies to grant customers, employees, suppliers and partners unprecedented access to their integrated business systems on an as-needed basis. On the store floor, this can translate into dynamic point-of-sale and information displays... high level of assisted service... self-checkout options... loyalty programs... and more.

These solutions assist the retailer by reducing labor costs, encouraging customer loyalty and supporting market differentiation. For example, research shows that multichannel shoppers spend three to five times as much money as people who shop through only one channel? An on-demand retail business serves and satisfies these customers with dedicated care, regular loyalty incentives and extended services—across touchpoints and around the clock—while providing back-end efficiencies in areas like computer-aided ordering, continuous replenishment and automated management alerts.

Satisfied customer

Ms. Larson, a mother and public school teacher, is on a tight budget and shops around for value. She appreciates technology when it saves her time and money. She'll be loyal to a grocery store that does the same.

1 Ms. Larson downloads digital coupons to her smart card on her home PC. She adds items to her digital shopping list and files recipes in her personalized recipe box.

2 Ms. Larson inserts her smart card into a cart-mounted Web pad, which automatically logs onto her online account and alerts the store of her arrival. Her shopping list is organized by aisle to help optimize time spent in the store.

3 Ms. Larson digitally places her deli order, and then receives a targeted promotion. She has potato chips on her shopping list, and the system alerts her that there is a special this week: Buy two bags; get one free. After picking up her deli order, Ms. Larson proceeds to checkout.

4 Her cart is fairly full, so she opts for full-service check-out. She swipes her smart card, which downloads her digital coupons and charges the total to her checking account. The system then congratulates her: This is her 100th checkout. A stockroom employee is alerted to bring out Ms. Larson's free gift.

The value proposition: Serving your customers, satisfying your business needs

“Information delivery should be as simple and reliable as flipping a switch and turning on a light.”
—David Kepler, CIO, Dow Chemical⁹



Digital messaging done right

Fast-food retailers no longer need to rely on static marketing and branding efforts. Today, these companies can deliver promotional features to one outlet or systemwide, according to inventory levels, demographics and climatic conditions. These emerging display technologies enable interactive promotions and rewards ...seasonal and regional customization...realtime remote control editing...and more to drive sales and facilitate operational efficiencies – on demand.

Today, retailers face obstacles ranging from high labor-cost-to-sales ratios and poor inventory visibility to fragmented systems with limited scalability and upgradeability.⁴ *On demand* is a compelling new operating and service model that can help nullify these concerns with a broad array of solutions designed to map directly to companies' business needs. More specifically, these offerings can assist organizations in empowering and informing employees, motivating buyers, streamlining store operations and satisfying customers in the following ways:

Empower the retail team

- *Offer employee self-service and e-learning opportunities*
- *Deploy business-to-employee portals*
- *Implement assisted wireless services, including scheduling and task management*
- *Ensure realtime price, product and inventory data delivery via wireless and/or point-of-sale terminals*

Create expert managers

- *Automate management reporting*
- *Establish an electronic workbench for store managers*
- *Enable multichannel database integration*
- *Afford modular e-learning and development opportunities*

Motivate shoppers

- *Establish customer segmentation solutions*
- *Implement electronic marketing campaigns*
- *Launch digital messaging and merchandising*
- *Leverage personalized loyalty rewards and promotions*

Satisfy customers

- *Offer cashless payment and smart-card solutions*
- *Encourage redemption of digital coupons*
- *Implement self-checkout terminals*
- *Provide multiple touchpoints for sales and returns*

Streamline store operations

- *Establish enterprise security and systems-management solutions*
- *Offer advanced capacity-planning solutions*
- *Implement computer-aided ordering and replenishments solutions*

Together, these initiatives can help retail organizations become more responsive, focused, variable and resilient—key attributes of any successful on-demand business. To customers, these advantages can translate into shorter lines ...time-and-place conveniences... a wealth of choices in terms of channels and service styles...precisely targeted promotions...better, more personal service...and a sense of being truly understood. In turn, retail companies

can deliver more rapid and flexible responses to customer demands and market opportunities, react more quickly to competitive pressures and help optimize shareholder value and ROI.

Defining on demand: The key attributes

An on-demand business is, by definition:

- *Responsive to unpredictable changes in supply and demand, pricing and labor requirements, competition, capital markets and the needs of customers, partners, suppliers and employees*
- *Variable in terms of cost structures and process adaptability—enabling high levels of productivity, cost control, capital efficiency and financial predictability*
- *Focused on core competencies and assets—allowing strategic partners to manage selected tasks such as logistics, HR or financial operations*
- *Resilient in the face of internal and external threats—including viruses, usage spikes, hackers and natural disasters—with established availability, security and autonomic IT*



“As an offensive strategy, you need to be wherever customers want to be. As a defensive strategy, you don’t want to give customers a reason to go to competitors who have more complete channel offerings.”

—Jeff Roster, Gartner⁵

Self-checkout satisfaction

Speed, shorter lines and ease of payment are prompting more and more consumers to select stores with self-checkout availability. Picture this: Mr. Lewis scans his grocery products at a self-checkout terminal, which in turn authenticates the process using shape-recognition software, dimensional analysis and weight validation. The terminal instructs him to insert coupons, and adjusts his bill accordingly. Mr. Lewis pays with his debit card, receives his receipt and leaves the store, satisfied.

IBM: Helping companies evolve to realtime retail, right now

“The retailers that are going to be standing in 2010 are the ones building IT infrastructure in 2002.”
—Gartner⁶



Satisfied customer

Mr. Taylor does not like to shop, but he is ready to buy. When the jacket he selects doesn't fit, he is immediately assisted by a sales associate, who uses a handheld system to search the store's inventory and locate the appropriate size in the warehouse. As she arranges to have the jacket sent to Mr. Taylor's front door later that afternoon, the assistant uses the system to adjust inventory and send an alert to the purchasing manager regarding reorders. Within minutes, the retailer has made a sale, dynamically updated the database and satisfied a customer.

At IBM, e-business on demand is more than just a vision. Already, our e-business experts are helping companies across industries and around the world evolve to this new model. Skilled consultants with IBM Business Consulting Services (BCS) can help retail organizations begin this transformation right away by conducting a thorough assessment of the enterprise and creating a customized roadmap geared toward an on-demand environment. IBM offers an open, “total systems” view of the infrastructure, with

an emphasis on autonomically managed and aligned technologies. We are also prepared to help companies select and leverage proven hardware, software and services that can facilitate rapid migration with limited risk. Moreover, we have a strong global team of professionals dedicated to the retail industry, plus a sector-specific portfolio designed to address the entire retail lifecycle, including IT management, logistics and distribution, marketing and merchandising, store operations and customer care.

Retailers are focusing on the customer experience at the store level to maximize shareholder value

Strategic imperatives

Build differentiated market position

- Optimize assortment, pricing
- Deliver and support new services

Seize growth opportunities

Integrate and manage store infrastructure as acquisitions occur

Reinvigorate customer relationships

- Enable integrated multichannel transactions
- Identify potential individual demand

Strengthen and streamline supply chain

- Enhance inventory visibility
- Reduce shrinkage
- Maximize in-stock positions
- Reduce order-to-store delivery cycles

Maximize operating effectiveness and efficiency

- Improve employee efficiency and consistency
- Reduce store labor costs

Store level value factors

Inventory turnover

SG&A

EBITDA/
Net income

Sales per square foot

Store labor expense percent

Same store growth

ROI/ROA/ROE

Dollars per customer transaction

Days-on-hand inventory

COGS/
Gross margin

Building blocks of value

Motivate shoppers

Streamlined store operations

Satisfied customers

Empowered teams

Expert management

Shareholder value

That said, every organization has unique strategies and needs, and stands at a different stage of e-business adoption. Whether your focus is on point-of-sale kiosks, self-checkout services, electronic marketing, dynamic inventory or all of the above, IBM consultants are prepared to help you think through your most complex challenges and develop a customized strategy and solution set designed to maximize your firm's benefits and provide the most rapid financial returns.

The IBM portfolio

The IBM portfolio is virtually unparalleled in breadth and depth. It includes but is not limited to:

IBM Business Consulting Services, the world's largest business and technology consultancy, with 60,000 professionals in 160 countries. IBM BCS offers virtually unparalleled experience, knowledge and technological prowess, and can collaborate with all IBM lines of business to deliver comprehensive and customized solutions. Our consultants fuse business and industry insights, best practices, thought leadership and world-class technology to help assure successful, cost-effective IT implementations focused on delivering a sustainable ROI.

IBM @server™ platforms, *WebSphere®* middleware, award-winning *IBM DB2®* database solutions and intelligent *Tivoli®* management software for the retail sector

Customer-facing hardware and applications, including handheld devices, kiosks, point-of-sale systems, radio-frequency identification tags and dynamic displays—enhanced by the ability to integrate these devices into the enterprise

The IBM on-demand infrastructure is open and standards-based—designed to function effortlessly and cost-effectively within your current IT environment while accommodating solutions from a variety of best-of-breed vendors. What's more, IBM offers retailers a unique opportunity to “virtualize” their computing environment, return to their core competencies and reduce TCO by tapping into an IBM infrastructure “grid”—buying IT as a utility on an as-needed basis. Indeed, we offer a range of creative and strategic IT delivery methods, including e-business Hosting™, Application Management Services and Strategic Outsourcing. In this way, organizations can have affordable, continuous access to a scalable, security-rich operating environment—on demand.

The time is now. Consumers are ready to shop in the “store of the future” today—whenever they want, wherever they choose to be. Consequently, it has become increasingly important for retail enterprises to respond to customers dynamically and in real-time—on the store floor, over wired and wireless devices, or via the Web. Today, advanced e-business on demand can help retailers optimize and align their marketing plans, strengthen customer-service structures, improve inventory practices and much more. IBM is uniquely prepared to help transform these organizations from back to front with an on-demand business model that can help satisfy customers—starting right now.

For more information

To find out more, contact your IBM sales representative, or visit:

ibm.com/industries/retail



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¹ IBM Institute for Business Value Analysis.

² Adrian Mello, "Multichannel Customers: Asset or Liability," *Tech Update*, August 7, 2002.

³ "E-Sourcing: IT on Demand," *CEO Perspectives: A Supplement to Chief Executive* magazine, February, 2002.

⁴ IBM Institute for Business Value Analysis.

⁵ Adrian Mello, "Multichannel Customers: Asset or Liability," *Tech Update*, August 7, 2002.

⁶ "IBM wins software contract to speed Home Depot's data," *Bloomberg News*, Business Today.com, March 18, 2002.



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