



# ReThink

## 企業 突破力

落實創新，再造企業新局！



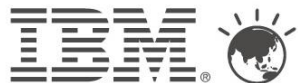
# ReThink 企業 突破力

落實創新，再造企業新局！

## Smarter Retail

Fredric Lam  
Retail Solution Executive  
IBM Greater China Group





## AGENDA

# ReThink 企業 突破力

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### Topic

The New Consumers and Future of Retail

The IBM Smarter Retail Imperatives

Summary



# Dramatic forces across the industry require new approaches to help maximize profitability and returns.

## Shifting demographics

creating  
new markets

## Economic uncertainty

driving pressure on  
consumer spending

## Growth opportunities

changing business models  
and traditional  
relationships

## Consumerization of

technologies forever  
changing customer  
interactions

## Empowered

customers increasingly  
in control of the  
shopping experience



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# Today's changing business realities and expanding markets represent tremendous growth potential for you.

**Personalized access to customers**

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**2.4 billion**

Online users estimated in 2012

**Digital revenue growth**

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**>20%**

Percentage of total non-food retail sales that will be executed online by 2020

**Grab market share**

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**\$93 billion**

Total sales missed each year because retailers don't have the right products in stock to meet customer demand

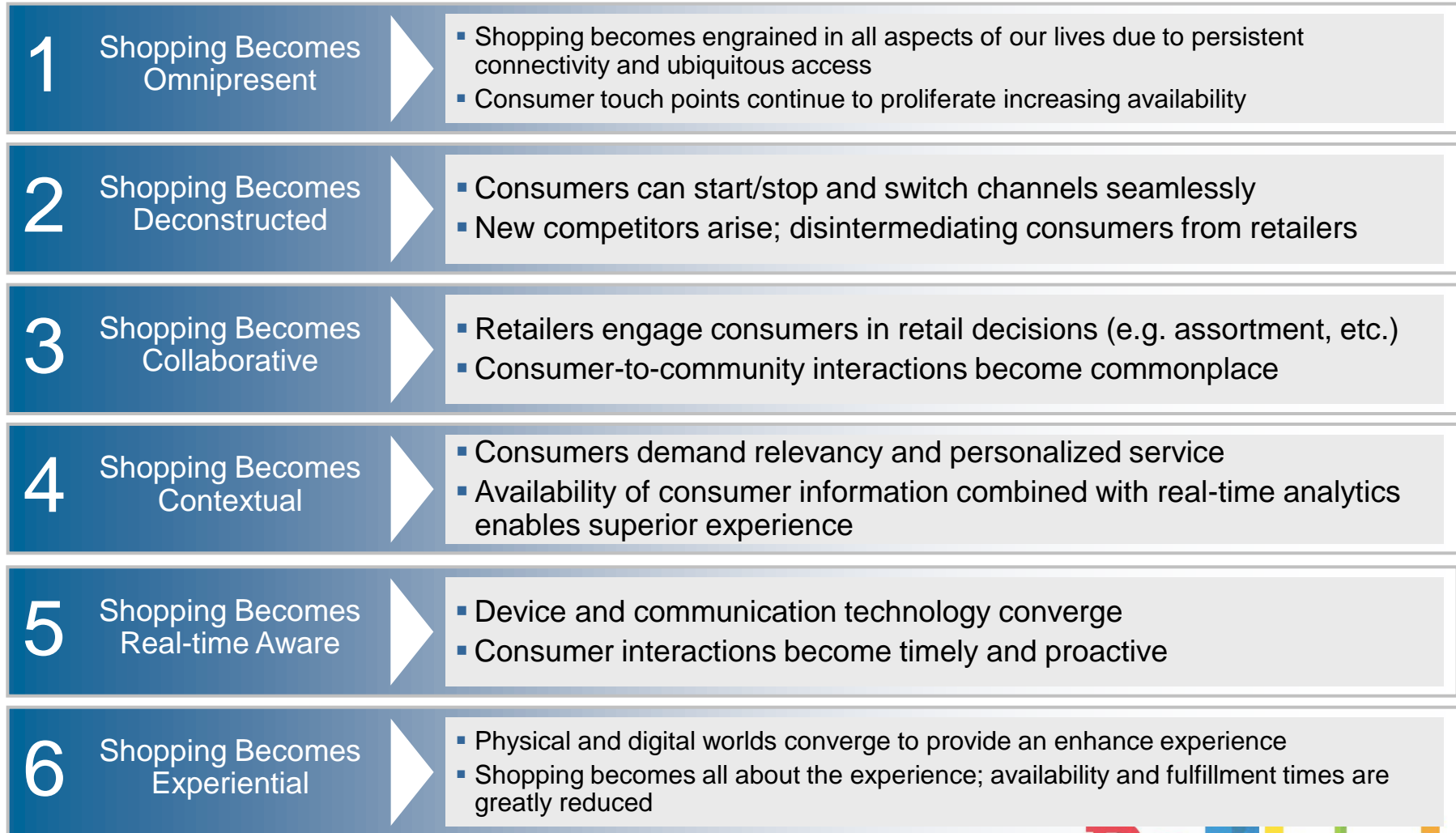
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## Consumers are redefining “shopping” to fit their unique needs and timeframes



## Topic

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# Imperatives

...

What must all Retailers do, to survive and prosper in today's extraordinarily competitive marketplace?



SMARTER SHOPPING EXPERIENCE



SMARTER MERCHANDISING AND SUPPLY NETWORKS



SMARTER OPERATIONS







**To help capture this opportunity, IBM is helping retail industry leaders reinvent their business model aligned to three imperatives.**

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**Deliver a smarter shopping experience**

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Build smarter merchandising and supply networks

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Drive smarter operations



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# Deliver a smarter shopping experience: increasing consumer expectations retailers require retailers to transform operating model

85%

of shoppers expect a seamless experience across all retail channels.<sup>1</sup>

13%

of retailers are able to provide a “consolidated” shopping experience across channels.<sup>2</sup>

6%

Incremental sales lift from a one-size-fits-all approach to one that emphasizes the principles of customer experience based retailing.<sup>3</sup>

**“Our Customer 1st strategy continues to deliver results through improvements in all four key areas we target: our people, our products, the overall shopping experience in our stores, and prices”**

*— Kroger Chairman and CEO David Dillon explaining a Q4 '10 same store sales increase of 3.8%<sup>4</sup>*

Sources: (1) “Cross Channel Brand Interaction, 2010 Consumer Preferences.” Sterling Commerce and DemandWare. 2010 (2) “Enabling Buy Anywhere/Get Anywhere: The Future of Cross-Channel” Retail Systems Research. July 2011. (3) “Shopper Marketing: Capturing a Shopper’s Mind, Heart and Wallet.” Deloitte, Forester and www.money.cnn.com. 2007 (4) Dillon, David B. “Press Release: Kroger reports fourth quarter and full year 2010 results.” The Kroger Co.

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# Delivering a smarter shopping experience: What does this look like in your company?

## Brand

Consistently delivering to each customer your brand promise to build loyalty and move them to advocacy

## Expectations

Enabling your customers to shop seamlessly and easily across all touch points



## Smarter Consumer

## Engagement

Providing timely and relevant interactions to each of your customer

## Emotion

Allowing your customers to shape experiences that reflect their interests and lifestyles

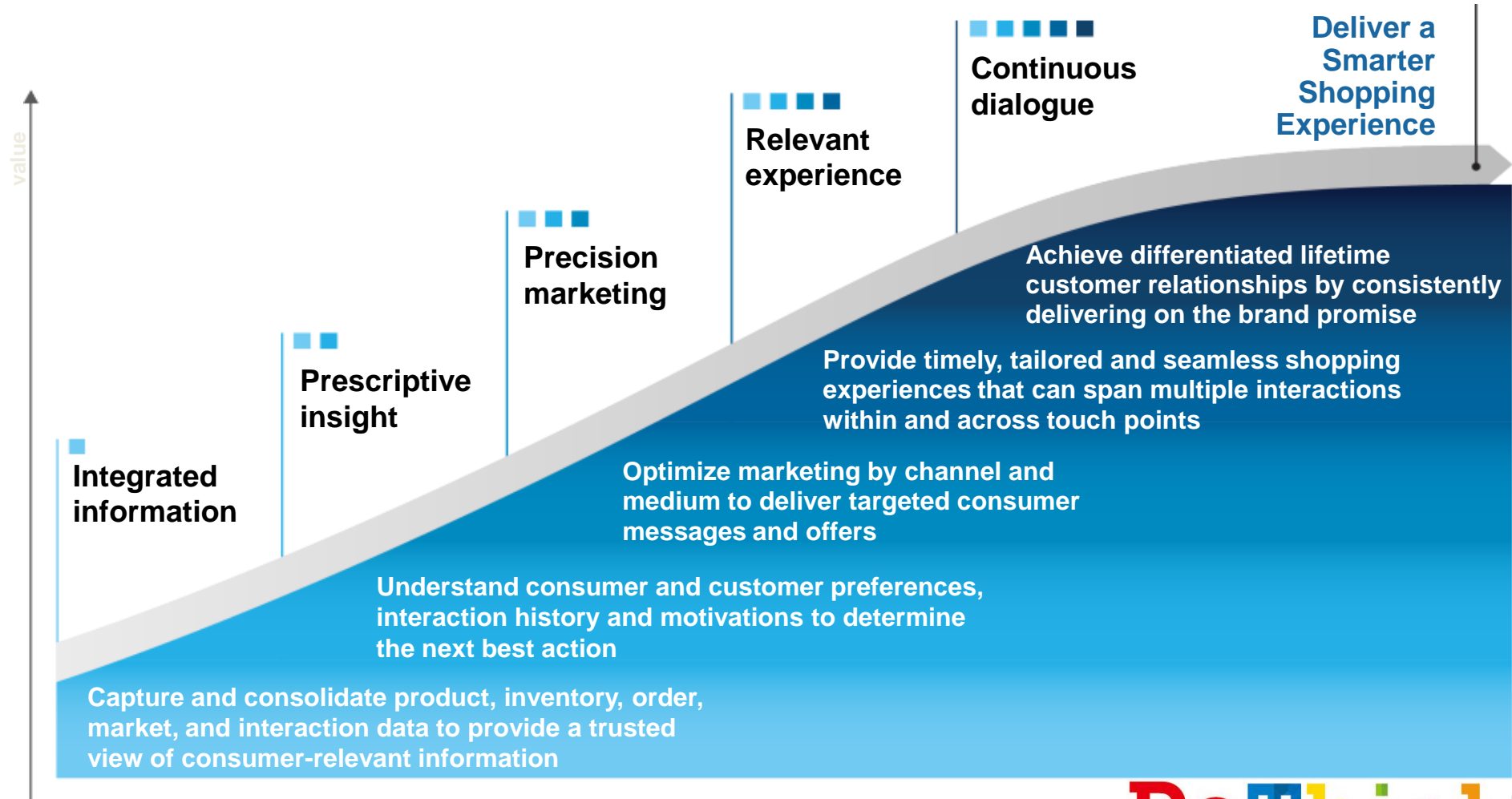
## Business Outcomes

- Increase revenue
- Improve margins
- Reduce inventory levels
- Enhance customer loyalty
- Reduce marketing expenses
- Increase SG&A efficiency

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# Delivering a Smarter Shopping Experience will enable retailers to achieve differentiated customer relationships



Source: "Smarter Shopping Value Quantification." IBM Center for Applied Insights, and IBM Global Retail Industry, October 2011



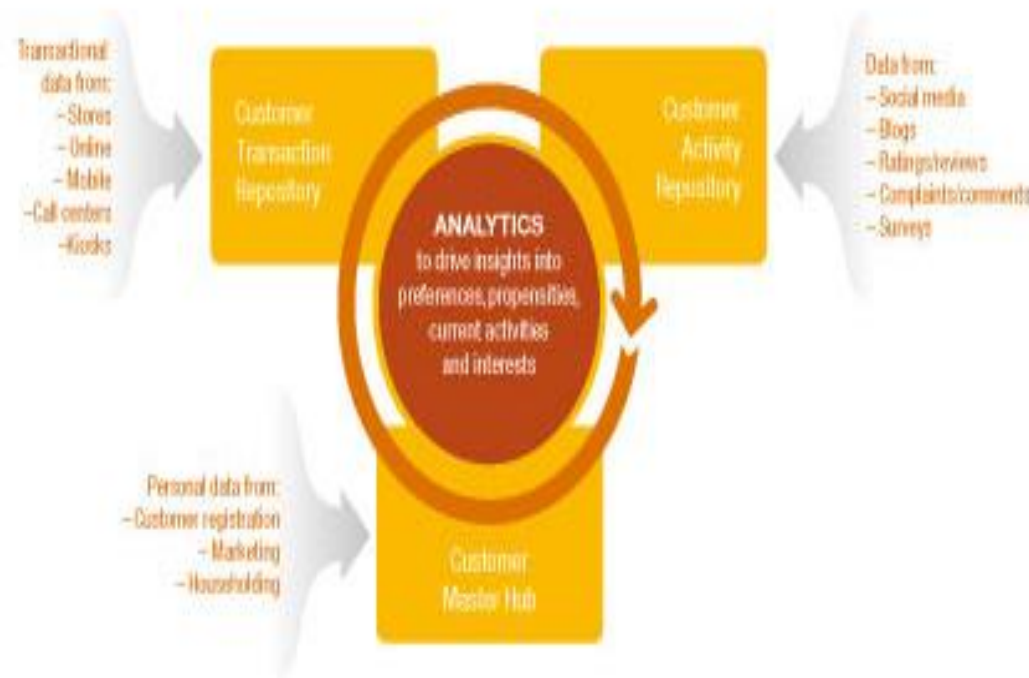


# 360° View of Customer

Aggregate customer information, structured and unstructured, to gain valuable insight into individual preferences and buying behaviors.

## Enables you to

- **Aggregate** customer information from a variety of disparate sources
- **Provide** visibility to each customer's preferences, interactions and transaction history
- **Understand** each of your customers as an individual
- **Deliver** marketing that is timely, relevant and personalized
- **Determine** the next best action for each customer to increase conversion rates
- **Tailor** local market assortments to consumer preferences, demand and expectations
- **Improve** revenue and margin through greater insights into customer behavior



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# Redcats utilizes sophisticated data analytics to help run powerful, profitable cross-brand marketing campaigns

90%

Decrease in campaign management and data processing times



**Business problem:** Redcats, a retail group in France that includes 17 major retail brands around the world, wanted to deepen the customer experience across its brand websites by understanding how customers behave online and create a 360-degree view of its customers across brands and digital properties.

**Solution:** Apply powerful statistical and predictive analysis to near-real-time customer data to uncover patterns in online behavior, using those insights to run targeted, cross-brand marketing campaigns.

“Now that we can track customer behavior across multiple brands and websites, we have a much more comprehensive view of what customers want and what convinces them to buy. So we can tailor our marketing campaigns accordingly.”

—Claire Fouquerand, CRM and Innovation Director, Redcats

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# Connected Marketing

Deliver a consistent brand experience that is timely, relevant and personalized to each customer by efficiently and effectively managing all of your marketing activities.



## Enables you to

- **Provide** a holistic view of all marketing activities to ensure campaigns and promotions are executed as planned
- **Allocate** your marketing to spend the most effective mediums and channels
- **Leverage** customer insights to define highly effective multi-wave, cross channel campaigns
- **Anticipate** customer response to determine the next best message or offer
- **Collaborate** so that marketing and merchandising decisions are aligned
- **Improve** customer loyalty and generate higher overall customer satisfaction and lifetime value

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# Orvis creates the level of customer intimacy needed to turn marketing into a service that its customers appreciate—and that drives business performance.

70%

improvement site revenue from product recommendations



**Business Problem:** Orvis needed to keep recommendations up to date for 4,400 site products as well as the ability to drive additional sales and increase average order values.

**Solution:** Digital marketing optimization solution that provides timely, behavior-based product recommendations.

“We know the future is about building an even more intimate one-on-one relationship with every customer. We need to understand them, make the right decisions, and dialogue with them wherever they engage us.”

—Mark Holmes, CIO, Orvis

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# Omni-Channel Commerce

Enable seamless interactions and provide the flexibility to browse, research, buy, receive and return purchases anywhere, anytime, and anyhow.

## Enables you to

- **Manage** all interactions with your customers with efficiency and flexibility
- **Transform** the website into an integrated selling environment
- **Allow** your customer to shop seamlessly across stores, web, mobile and call center
- **Provide** visibility to inventory across your internal and extended supply network
- **Dynamically** source inventory from the most optimal location while maintaining desired growth, profit and customer service levels
- **Gain** insight into your customers' behaviors in order to optimize your digital experience



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# Staples applies an advanced, precision e-commerce solution on a powerful platform to help personalize online shopping with lower operating costs.

60%

Increase in online conversion rates



**Business problem:** Staples needed a commerce platform to support and fuel online business growth and enable them to pursue creative, customer-centric business strategies.

**Solution:** Deploy an e-commerce solution running on optimized systems, to optimize a website for high volume transactions with rapid response times to support a customer-centric business model, especially during peak promotional periods.

“Our goal was to ensure that our customers would have a great site experience relative to performance.”

—Rob McClellan, Vice President - IT, North American Delivery

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# Leaders in retail are focusing on three imperatives to reinvent their business models and drive sustainable shareholder value.

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Deliver a smarter shopping experience

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**Build smarter merchandising and supply networks**

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Drive smarter operations



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# Retailers are struggling with limited data consistency, a lack of relevant customer insights and process execution challenges.

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**20%**

Average level of product data consistency.<sup>1</sup>

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**Poor data and information integrity**

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**52%**

Of retailers have systems that don't adequately support cross channel activity on the buying side.<sup>2</sup>

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**Lack of customer insight**

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**88%**

Of retailers describe their assortment management portfolios as "spreadsheets, art, or some combination of both".<sup>3</sup>

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**Lack of agility and foresight**

Sources:

1. "Data Crunch Report." *GS1 UK*. October 2009

2. RSR Research, March 2012

3. "interviews with merchandising executives." *IBM Market Insights*. July 2010

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# What does a smarter merchandising and supply networks look like?

| Traditional View          | Differentiated View     |
|---------------------------|-------------------------|
| Product-Centric           | Customer-Centric        |
| Push-Based                | Demand-Driven           |
| Ladder Planning           | Tailored Assortments    |
| Multiple Channels         | Omni Channel            |
| Market Promotions         | Personalized Promotions |
| Enterprise Visibility     | Value Chain Visibility  |
| Hindsight-Based Decisions | Optimized Decisions     |

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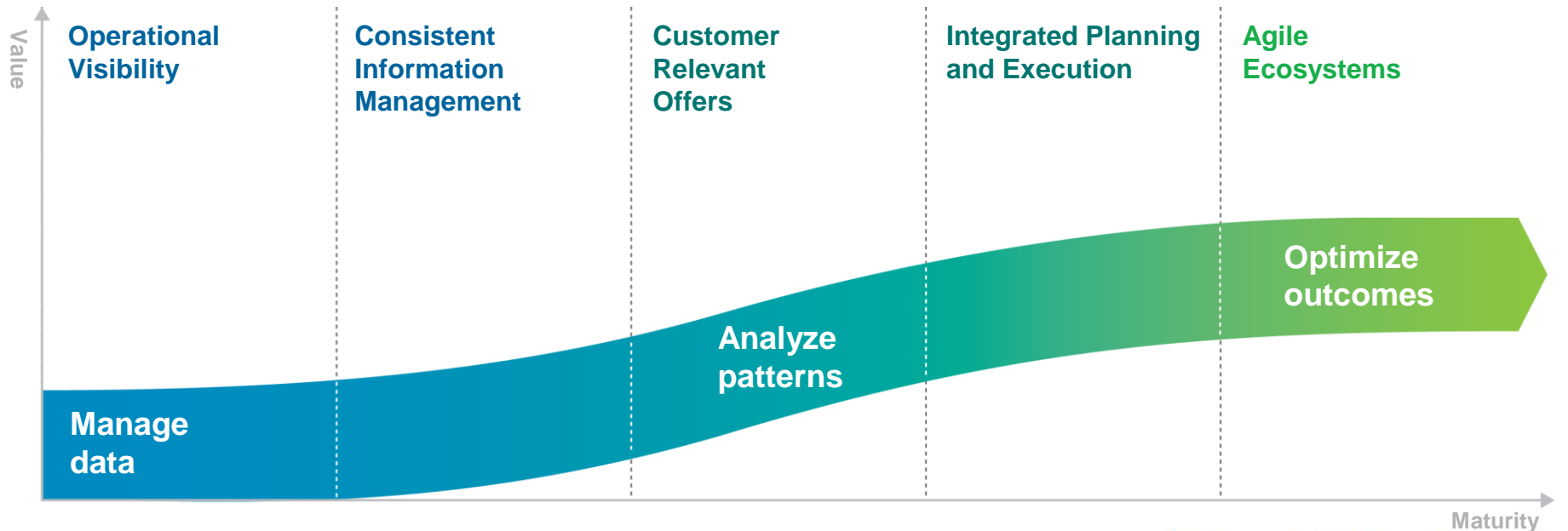


# How do you build a smarter merchandising and supply network? Where do you want to begin?

## Business outcomes

- Revenue increased
- Cost of goods sold decreased
- Gross margins improved
- Expense to revenue ratios improved
- Days Sales of Inventory (DSI) decreased
- Inventory turns improved

## Transformational stages

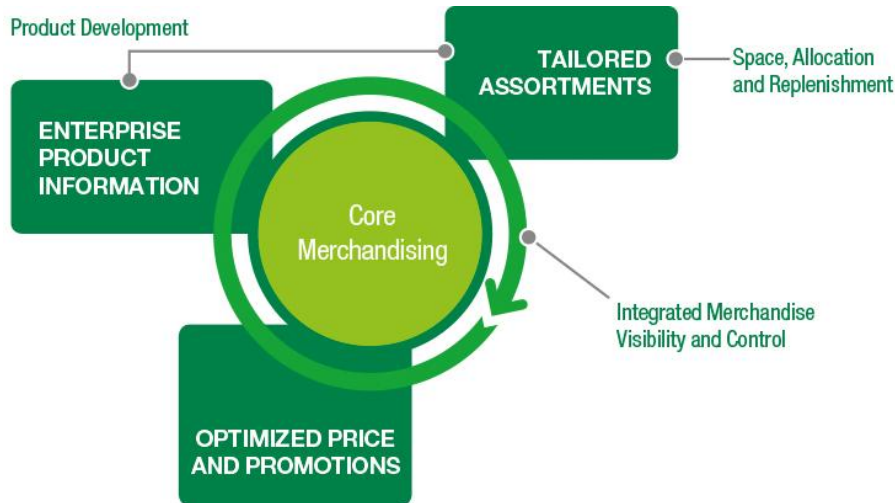


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# Omni Channel Merchandising

Accurately anticipates targeted customer wants and aligns a compelling personalized offering of products, prices, promotions and services across the preferred channels.



## Enables you to

- **Increase** sales and gross margin
- **Improve** inventory performance and operational efficiencies
- **Create** enterprise product information to drive competitive advantage
- **Tailor** product assortment in each selling channel/ location to target consumers and category objectives
- **Optimize** price and promotions to align to brand messaging and financial goals
- **Gain** new insights, allocate resources, and align actions that best meets business objectives

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**A large national auto parts retailer uses customer, product attributes and market insight to efficiently manage inventory and significantly reduce carrying costs.**

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**Resulting  
in 30%**

accuracy improvement on  
inventory placement  
and

**8%**

Decreased inventory  
carrying costs



**Business problem:** Needed to dynamically evaluate the demand for parts in its inventory across 3,400 store locations.

**Solution:** Deploy a predictive analytics solution that generates more than 100,000 forecasts per month and automates product lifecycle repair and sales projections for 3,400 stores nationwide.

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# A leading electronics retailer manages product information as a strategic asset and achieves significant savings.

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## Resulting in \$1M

savings attributed to  
reduction in lost sales



**Business problem:** Providing accurate data to the customer was a complex, costly and elaborate effort.

**Solution:** Deploy the Master Data Management solution and realize savings through reductions in lost sales and productivity gains by reducing duplicative work.

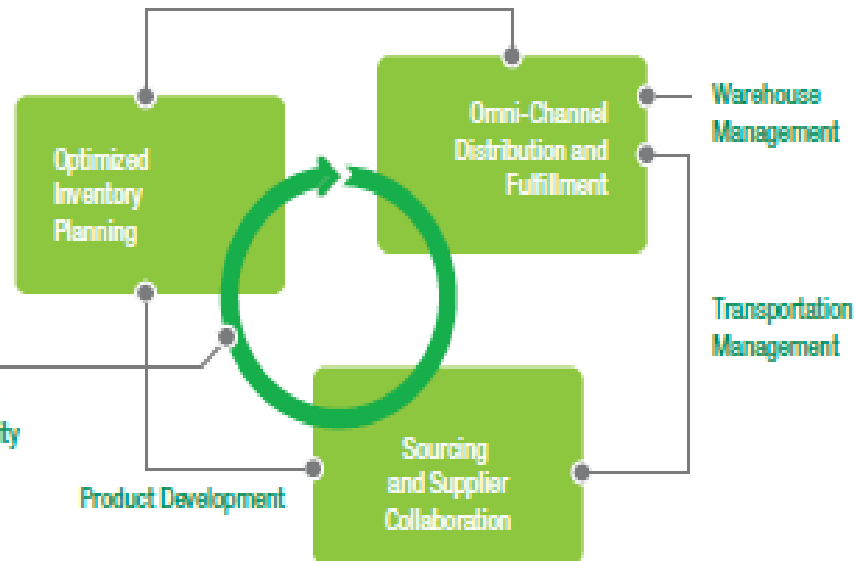
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# Omni Channel Supply Networks

Creates an agile supply network that consistently delivers to changing customer demand while maximizing investments.

Replenishment and Allocation



## Enables you to

- **Reduce** operating costs
- **Improve** product availability and delivery times
- **Optimize** inventory levels and flow based on insights into the drivers of buying behavior by channel, location and product category
- **Achieve** real time inventory visibility across all channels
- **Create** efficient dual purpose store and customer-order distribution facilities
- **Coordinate** order fulfillment processes across entire supply network
- **Streamline** customer order, fulfillment and return processes

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# Elie Tahari improved real-time decision-making to reduce supply chain and logistics costs.

Resulting in  
30 percent

reduction in supply chain  
and logistics costs



**Business problem:** Elie Tahari needed better access to its order, sales, inventory and financial data, which was dispersed across the company, making it difficult for managers to quickly access data needed to make critical business decisions.

**Solution:** Capture real-time information on sales, inventory and shipments directly from Elie Tahari's core transactional systems. Standardize and integrate transactional data from five disparate platforms into a single reporting framework. Optimize replenishment and merchandising practices as well as lower-cost logistics with enhanced visibility.

*"Access to information that helps us understand and forecast what the consumer wants is vital, and technology that can help us do that will give us a strong competitive advantage."*

—Elie Tahari, president and CEO, Elie Tahari Ltd.

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# A global multi-format retailer makes smarter order and distribution decisions with optimization analytics

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**Resulting**  
**in ~5%**  
Inventory reduction

and

**80%**  
Increase in planning  
efficiency through  
automation



**Business problem:** Retailer faced increasing complexity in managing the replenishment of its warehouses and contradictory constraints from stores, suppliers and warehouses in managing the large number of orders

**Solution:** Use an IBM optimization analytics solution to build optimal purchase orders through the evaluation of numerous variables (e.g. store level demand forecasts, supplier information schedules, stocks and other constraint). The retailer was able to identify optimal time to reorder products while minimizing costs and maintaining the best service level. Solution enables 'what-if' scenario modeling that includes specific business requirements of several geographies enabling worldwide rollout

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**To help capture this opportunity, IBM is helping retail industry leaders reinvent their business model aligned to three imperatives.**

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Deliver a smarter shopping experience

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Build smarter merchandising and supply networks

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**Drive smarter operations**



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# Drive smarter operations: Increasing consumer expectations requires Retailers to transform operating models, integrating technology with business

67 %

CEO of the outperforming Retailers are especially focused on combining technology with the business to drive innovation and growth \*

78%

of retailers feel the operational control provides value to organizations, including cost reduction, operating margin and security \*\*

79%

Retail CIOs will focus on insight and intelligence over the next 5 years #

*“Companies with capability of marketing responsiveness to changes) and innovation (execution) will survive.”*  
Retail CEO, Italy

*"Importantly, the role of CIO is not being looked on as 'Chief IT Mechanic.' It is recognized as a means to extract value from technology and gain insight from complex systems. "*

*Mark Hale, Director of IS for Food Retail, The Co-operative Group*

\* Source: IBV CEO study 2012 Retail PoV, \*\* IBV Global CFO study 2010 #IBV 2011 CIO study Retail PoV

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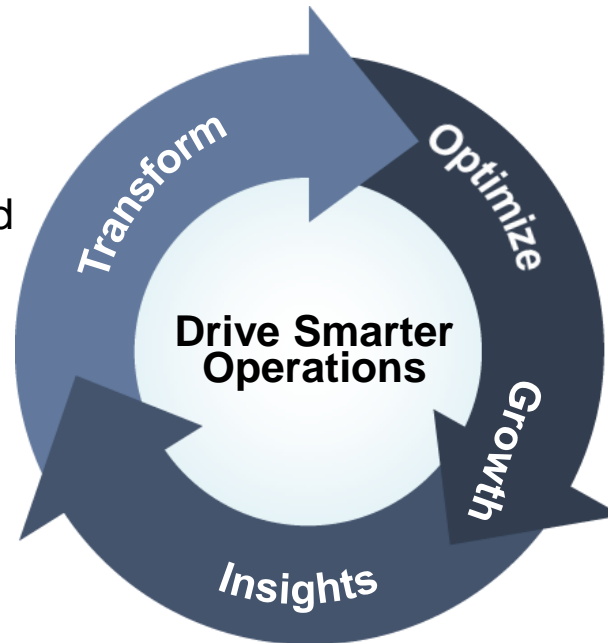
# Driving smarter operations: What does this look like in your company?

## Transform

Consistently delivering process improvement and operational profitability

## Optimize

Enterprise and store level people, process and systems capabilities and capacities



## Growth

Providing timely and relevant interactions to each of stakeholders, customers, employees, vendors and other stakeholders

## Insights

Coordinate planning and measurement across the organization

## Business Outcomes

- Back Office administrative cost reduced
- Performance Management Improved
- Risk of data theft reduced
- Transparency in performance metrics & dashboards
- Infrastructure cost reduced

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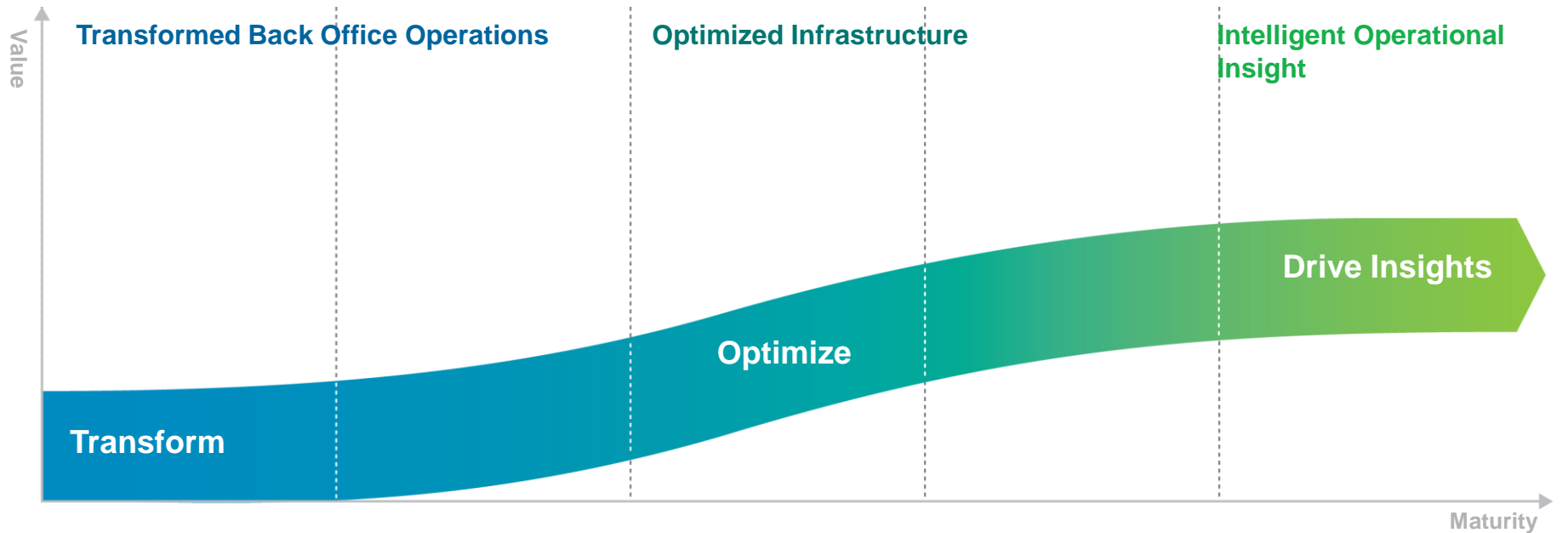


# How do you deliver smarter operations? Where do you want to begin?

## Business outcomes

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## Transformational stages



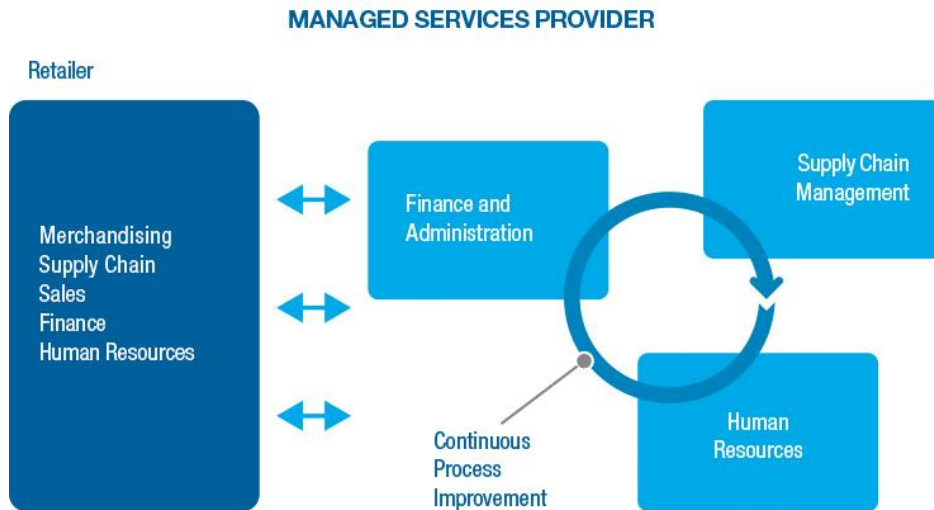
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# Back-Office Transformation

Improves efficiency, reduces costs and increases productivity at the enterprise and store level by streamlining and transforming back office operational capabilities



## Enables you to

- **Transform** back-office processes for immediate cost savings and sustained long-term performance
- **Accelerate** process innovation and drive unparalleled business outcomes
- **Create** an integrated and more efficient enterprise
- **Improve** controls and optimize accounting processes
- **Enhance** employee engagement and experience by focusing on core strategic HR and talent initiatives
- **Deliver** measurable business value and enhanced customer experience at store

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# A large home improvement retailer reduce operation costs by 60% and increases customer satisfaction

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**60%**

Reduction in operational costs



**Business Problem:** Client needed to strengthen the policy compliance and drive business performance and effectiveness and improve rove the company' s customer satisfaction ratings.

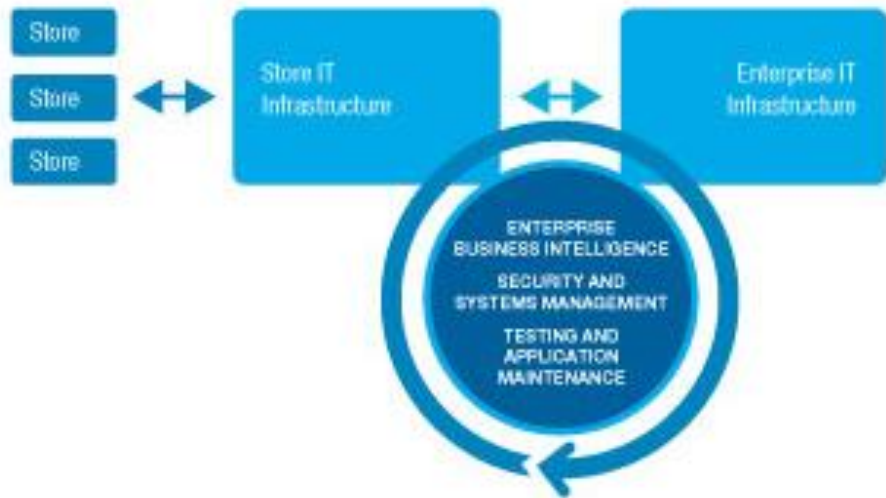
**Solution:** Improved process consistency and policy compliance through advanced analytics, enabled better team communication through record to report capabilities, faster processing of closing activities and escalation of issues related to customer satisfaction.

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# Retail Infrastructure Optimization

Improves efficiency and effectiveness of enterprise and store infrastructure through optimization and virtualization. Supports the seamless flow of information with a focus on data privacy and security.



## Enables you to

- **Reduce** costs, eliminate waste and unused IT capacity by leveraging virtualization and cloud computing models
- **Secure** business critical customer and enterprise data from un-authorized access
- **Expedite** the deployment new workload systems and applications
- **Improve** application quality control
- **Deliver** operational efficiency by using business intelligence platform

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# Metro Inc. deploys a fully virtualized server landscape and a flexible storage environment for optimum SAP ERP application performance

60%

Cutting in failover time and reduced business risk

35%

Decreased disaster recovery time from tape



**Business problem:** Metro Inc. needed to integrate existing IT landscape running multiple separate systems that came from acquisitions into a single landscape and reduce the overall expenses and maintainability.

**Solution:** Develop a strategic plan to integrate, centralize and consolidate its information management and IT systems, and reduce complexity in its IT environment by eliminating non-standard servers, migrate the acquired companies' systems to its IBM® Power Systems™ environment

“When we were pioneering external storage with SAP running on IBM i, we got strong support from IBM. As an active member of the IBM i Large User Group we benefit from a unique relationship with IBM.”

— Michel Saindon, Team Leader of Centralized Systems, Metro Inc.





# Performance Insights & Management

Increases sales and profitability by coordinating reporting and planning across the organization so that all departments are managed according to a consistent set of business goals and financial metrics.



## Enables you to

- **Integrates** seamlessly people, process and systems for business insights
- **Improve** enterprise-wide financial planning, budgeting, forecasting and performance insights
- **Align** performance metrics of customers, vendors, employees with corporate goals
- **Deliver** robust performance management & reporting system
- **Predict** performance gaps, understand root causes and assess alternative paths of action using advanced analytics

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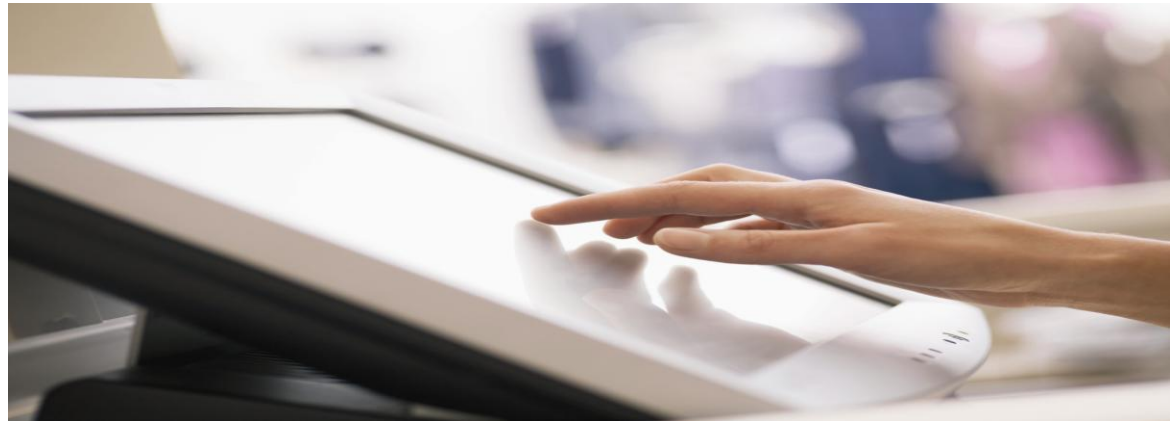


# Giant Tiger bridges the gap in financial planning and corporate objectives by implementing IBM Financial Performance Management Solution

85%

Reduction in budgeting cycle – down from three weeks to three days per quarter

Plus provided full return of investment within 24 months



**Business Problem:** Client wanted a better way to align local financial and operational planning with central corporate objectives, exchanging and distributing data on spreadsheets was slow and cumbersome, was limiting the client executives to respond quickly to changing market conditions.

**Solution:** Giant Tiger implemented IBM Financial Performance Management Solution and integrated it with a Teradata data warehouse, substantially automating budgeting and forecasting processes and allowing store-based users to enter actual data directly into the system via a simple web interface.

At all levels, IBM Financial Performance Management Solution is helping us understand our business better. At the store level, we can see where we are and where we're supposed to be, which gives us opportunity to make changes and improve performance, instead of just looking back and seeing where we went wrong.

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- Jane Foster, Manager, Planning, Budgeting and Analysis, Giant Tiger



## Topic

The New Consumer and Future of Retail

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The IBM Smarter Retail Imperatives

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Summary



# Realize the value of driving smarter operations

Driving a smarter operation requires a commitment across all business functions. We recommend three steps:



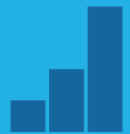
## Interactive Discovery Assessment

Use our Institute for Business Value study findings and participate in an Innovation Discovery workshop to brainstorm ways to innovate and determine what outcomes are most important to your business.



## Expert Workshop Collaboration

Work with your IBM Client Team or Global Retail Industry Solution Leaders to determine key innovations that address your business challenges and complement your capabilities



## Deep Dive and Value-Based Action Plan

Identify specific areas for further business development, explore research capabilities and participate in a deep dive joint session to develop next steps action plan and detailed, value-based business case for investment.

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# Which implementation approach best supports your business objectives?

## Business outcomes

- Increased revenue from targeted assortments and more effective promotions
- Increased margins resulting from better price and markdown management
- Reduced inventory carrying costs from more effective inventory management

## Considerations

Business Design

Service Levels

Deployment Models

Funding Options

## Options

Get the parts, build it yourself

Work with a vendor to design and build it for you

Count on a strategic partner to implement and run the solution

Access to skills, best practices, technology and financing must be evaluated from the beginning to deliver desired results.

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धन्यवाद

Hindi

多謝

Traditional Chinese

ขอบพระคุณ

Thai

Спасибо

Russian

Gracias

Spanish

**Fredric Lam**  
Solution Executive  
Retail Industry

Obrigado

Brazilian Portuguese

China, Hong Kong,  
Taiwan

شكراً

Arabic

*Thank You*

English

Danke

German

Merci

French

**IBM Corporation**  
fredricl@cn.ibm.co

Grazie

Italian

多谢

Simplified Chinese

நன்றி

Tamil

ありがとうございました

Japanese

감사합니다

Korean

