

**Achieving customer loyalty, profitability
and efficiency in an on demand industry.**



Contents

2 Executive summary

**3 Business integration:
giving growing retailers a
competitive edge**

**4 Customer analytics:
improving loyalty, profitability
and efficiency**

**6 B2C e-commerce:
broadening markets, services
and opportunities**

**8 Wireless inventory:
improving point-of-sale and
store operations**

**9 Supply-chain management:
streamlining operations and
improving communication**

**10 Retail solutions: one size
does not fit all**

11 Summary

Executive summary

Growing retailers today face many of the same challenges as their larger competitors: slow industry growth, pressure to increase profit margins and fluctuating consumer confidence. And growing retailers may have fewer resources with which to tackle these challenges. New technologies can help growing retailers address their unique business challenges with solutions that help them respond to changing customer demands and supply-chain needs. Ignoring new opportunities to improve business processes will hold growing retailers within the limitations of brick-and-mortar status quo—while larger retailers may snag their customers. But embracing them can help growing retailers remain nimble, efficient and responsive: keys to maintaining a competitive advantage.

The goal of embracing these new opportunities to help improve business processes is to deliver e-business on demand™. Employing the right technology solutions can help growing retailers capitalize on business opportunities and respond with ease to the changing needs of customers and supply-chain participants. But these technology solutions are not just about the technology. Delivering e-business on demand is about *business*. It's about integrating your business and all the processes that tie it together—from procurement to call center to e-commerce. So you can become more responsive, flexible and resilient in adapting to marketplace changes and demands. For growing retailers, that can mean:

- Delivering products to customers on their terms—in-store, online, over the phone, through the mail—and delivering them right now, often made to order.
- Automatically updating inventory based on customer behavior, so you're ready to deliver what your customers want most—at a moment's notice.
- Tightly knitting together the processes of your suppliers and distributors with your customers and employees so all the materials, components, products and purchase orders are available to those who need them, when they need them.





Retail solutions and benefits

Customer analytics

Understand, identify and anticipate customers' buying needs and patterns. Create better customer-service processes and analyze customer information to create timely and targeted marketing campaigns and promotions.

B2C e-commerce

Link Web stores with back-end systems to eliminate manual processes, help improve efficiencies and speed time to market. Reduce costly administrative tasks and share customer information gathered online with other business areas to streamline operations.

Wireless inventory management

Implement automated inventory processes to track volumes and trigger on demand merchandise replenishments and promotions based on item sales. Share point-of-sale information with distribution to control costs while ensuring item availability.

Supply-chain management

Create collaborative and efficient communication channels between customers, employees and suppliers to help eliminate redundant tasks, lower costs and improve efficiencies. Remain competitive through stronger customer and supplier relationships.

Digital media

Implement tools to manage logos, merchandise imagery and other artwork in-house, helping reduce costly dependencies on outside vendors. Share media in multiple formats for online, print and other vehicles throughout your organization to help increase brand awareness and return on investment.

In short, delivering e-business on demand means having the flexibility and efficiency to respond to any market change the industry or your customers throw your way—to help you embrace business opportunities and surmount competitive threats.

This executive brief will address the business challenges and opportunities growing retailers like you face, and demonstrate how solutions from IBM and its network of Business Partners are best suited to help you achieve your business goals. These solutions address specific retailer needs, and can benefit all your business operations by linking disparate processes across your business. They can help you make better use of business analytics to improve customer satisfaction, retention and profitability and to lower the cost and improve the efficiencies of internal communication systems and processes with suppliers and distributors. With automated inventory management tools, you can replace costlier manual systems and may achieve faster market availability of your products. These solutions can help increase the utility of current IT resources and lessen dependencies on outside vendor services, like media management. And all of these benefits contribute to overall cost control, market responsiveness and competitive advantage in a quickly changing industry.

Business integration: giving growing retailers a competitive edge

As a growing retailer your need to integrate and streamline business processes is growing as quickly as your business. As you add customers, Web portals, suppliers or sales channels, you may be looking to strengthen the way you do business with all of them—to avoid losing business to larger retailers and other niche retailers.

Achieving customer loyalty, profitability and efficiency in an on demand industry.

Page 4

Fortunately, you have a distinct advantage over larger retailers: the opportunity to implement new solutions that can grow with you—at an early stage. Meanwhile, many larger retailers may be locked into business processes that are running on proprietary software applications that don't work well together—or with supplier processes—slowing down their ability to respond to market changes. As you grow, the capability to address new customer demands, sales channels and supply-chain needs will be paramount to staying ahead of your peer companies, as well as larger enterprises that are constantly luring customers with low prices.

For these reasons, it may be even more vital for growing retailers like you to embrace solutions that address your unique needs, and provide capabilities to tie business processes together. Retail solutions from IBM and IBM Business Partners give you this ability. Using industry-specific knowledge and security-rich technologies, these solutions address unique retail needs like e-commerce, customer analytics, supply-chain management, inventory management and digital media. With flexible designs, these solutions offer scalable technologies that can grow with you. And based on open, standards-based technologies, they can also integrate with other business processes to make your entire operation more agile, nimble and efficient.

Customer analytics: improving loyalty, profitability and efficiency

The more you understand about your customers, the more you can sell to them. As retail competition increases, so does the requirement to understand your customers' buying needs and patterns, interests, habits, trends and behaviors. This information, or business intelligence, can help fuel highly targeted marketing campaigns, promotions and pricing that address the unique demands of your current and prospective customers. For example, if a gourmet retailer understands which customers tend to order chocolates during the holiday season, the company can create custom e-mail updates informing those customers of seasonal chocolate products and promotions. Customer analytics capabilities can create a simpatico relationship between you and your customers: your products and marketing efforts speak to their needs and as a result, their loyalty to your business may be strengthened—meeting the needs of your bottom line.





E-commerce retail solution has far-reaching benefits for Anaconda Sports

For growing sporting goods retailer Anaconda Sports, size had never been a factor in its success. If anything, the 150-employee company was growing faster than its technology infrastructure could handle. The largest outfitter of amateur sports and school-district athletic equipment in the U.S., Anaconda had outgrown its Web infrastructure. Faced with the danger of losing customers to more sophisticated online retailers, the company needed a resilient e-commerce solution that would allow it to control costs across its business and put its focus back on customer needs.

“We were busy answering complaints, handling emergencies and performing wasteful manual tasks to get our orders out,” says Rob Meyer, director of Internet services, Anaconda Sports. “We couldn’t satisfy our customers, so they were going elsewhere.” The problems extended beyond the Web site itself. The site was not integrated with back-end systems, so each new customer had to be contacted individually by phone or e-mail to verify credit card and shipping information—tying up customer service representatives in paperwork. And it offered no customer analytics to benefit marketing activities, so the company spent weeks and thousands of dollars creating targeted cross- and up-selling campaigns.

To remedy the situation, Anaconda called IBM Premier Business Partner Strategic Computer Solutions (SCS), Inc. to implement a retail solution. Based on IBM software, the solution provided a scalable, affordable e-commerce package that could support Anaconda’s current Web store and respond to the changing needs of its online customers. The solution also offered marketing and catalog management tools, allowing employees to handle these tasks and decreasing the company’s dependency on outside vendors. By tying the Web site to the company’s back-end systems, the retail solution effectively eliminated many customer service and supply-chain processes, providing measurable and far-reaching benefits. The company has enhanced customer responsiveness, increasing online sales by 20 percent over three months. Targeted promotions and marketing campaigns are now created within hours rather than days. And the company expects a 100 percent pay-back on the solution within a year due to increased sales and decreased administrative and IT costs.

Business intelligence and customer analytics solutions for retailers can influence just the marketing needs of business—or your entire operation. Solutions exist that can provide detailed customer information to your marketing department, aiding demand-generation activities, advertising and pricing promotions with particular markets and segments.

Retail solutions based on IBM software go further by helping to provide customer analytics capabilities to your entire organization, helping you:

- Leverage customer insight across your business to learn which products customers desire—and through which channels—ultimately letting you deliver better service and improving loyalty.
- Integrate multiple sales channels, giving customers a single view of your business through online activities, point-of-sale marketing and call-center messaging.
- Improve the return on investment of your marketing and sales efforts by targeting the right messages to the right customers at the right time.

By choosing solutions from IBM that integrate with other business processes, you can achieve a positive trickle-down effect across your retail business. For example, you can use buyer-behavior information to aid inventory and supply-chain management. When sales for a particular item go up, reports can be generated to suppliers of that item, triggering new shipments of parts or products and replenishing inventories. Customers are satisfied because products are available when they need them—and you won’t risk losing sales due to out-of-stock items. You can also better determine optimum inventory levels and help avoid the costs associated with excessive stock—helping you run a leaner and more profitable organization. Because everyone in your value chain has access to a single view of customer information, you may achieve greater efficiencies within your organization and across your supplier network. And you may lower costs by eliminating manual re-order processes and paper trails. Through integrating business intelligence and customer analytics capabilities across organizational areas and supply chains, these solutions can have far-reaching benefits.

Business-to-consumer e-commerce: broadening markets, services and opportunities

Having an Internet presence is no longer optional for many retailers. As consumers demand the conveniences of online shopping and services, building business-to-consumer (B2C) e-commerce capabilities is essential. The initial draw may be to increase sales, but e-commerce can offer many more benefits to retailers—particularly to growing retailers looking to reduce costs associated with mail orders, call centers and other overhead.

E-commerce solutions are nothing new to the retail industry. Many solutions exist—from simple Web site-authoring tools, to more comprehensive solutions that provide both Internet and intranet presences. The differentiator among many e-commerce solutions is where e-commerce ends and the rest of your business begins. E-commerce solutions based on IBM software can be integrated across your entire retail business—offering benefits to multiple business areas. Consider the possibilities: if your e-commerce solution can share customer information with your stores, suppliers and call centers, that information can be harnessed to help save time, improve communication and facilitate strategic business decisions. For example, your e-commerce site can share customer shipping and billing information with marketing departments and call centers, letting you make marketing decisions based on geographic data—and eliminating the need for customer service representatives to gather redundant information from customers.

“I knew immediately the solution was a success because my job changed...I’m [now] focused on developing new relationships with sports organizations and creating new campaigns to sell more bats, balls and gloves.”

–Rob Meyer, director of Internet services, Anaconda Sports, Inc.

Achieving customer loyalty, profitability and efficiency in an on demand industry.

Page 7

IBM software-based solutions also offer a security-rich environment. When the difference between making the sale and losing the sale could rest on a buyer's peace of mind, your customers need assurance that your e-commerce capabilities are fraud-proof. And your business operations shouldn't be hindered or slowed by the need to frequently download security patches. Choosing security-rich e-commerce solutions can help you lower the total cost of ownership of your online portals and maintain strong customer confidence.

E-commerce retail capabilities offered by IBM and IBM Business Partner solutions help you achieve these goals and may further help contribute to bottom-line results by:

- Enabling you to enter geographically distant markets through an online presence.
- Improving customer service and lowering associated costs with online self-service features and 24x7 availability.
- Increasing profit margins by accommodating custom or personalized orders and by using online purchasing data to up-sell purchases or cross-sell related items.
- Utilizing e-mail-generating tools to improve shopping experiences by notifying customers of order and shipping status, item availability and substitutions.
- Determining which customers are most profitable, enabling targeted customer retention toward those who have the biggest impact on bottom-line results.
- Decreasing dependencies on external vendors for digital media management of logos and artwork (including frequent updates of product imagery) for Web sites and other advertising media, helping you save time and media costs.



Integrated e-commerce capabilities can create real-time links between your customers, employees and suppliers—making sure the right products and information are available when they are needed. And helping safeguard your competitive position in the market.

Wireless inventory: improving point-of-sale and store operations

While sales channels continue to expand to offer your customers new conveniences and purchasing options, the brick-and-mortar store is a tangible consumer entity that will remain important—particularly for goods and services that customers need to see, touch, taste, feel or try on before they buy. Yet as important as the store remains, its costs are high—particularly for growing retailers who lack the resources and broad coverage of megastores. Rent, employees, overhead, insurance, shipping and receiving, electricity and other utilities combine to require that stores improve efficiencies and trim the fat from their expenses to remain profitable and give superior customer service. With physical stores, online portals and other sales channels to manage, the ability to coordinate inventory data is essential.

Wireless inventory capabilities help achieve these goals by automating inventory management and point-of-sale (POS) operations through the use of barcodes and electronic scanning. Manual inventory processes can be eliminated, helping to lower costs and free employees to focus on customers' needs. Some inventory solutions help improve operations only within the silo of the store or warehouse. Capabilities offered through IBM software solutions can be integrated with the rest of your value chain, sharing information with other business areas, producing benefits across your organization. For example, inventory information captured through scanning can be combined with information captured on frequent buyer cards to fuel customer promotions or to promote specific products on your Web site. Alternatively, information about items essential for some loyal customers, but not popular overall, can help you decide to offer these products only online, freeing physical store space. These capabilities also allow you to:



- Effectively manage in-store purchase order implementation by creating communication systems between suppliers and stores.
- Manage employee attendance and end-of-day data processing to free time and streamline operations, which may help increase employee productivity.
- Communicate consumer POS data to customer relationship management systems to trigger targeted marketing campaigns and promotions.

In short, IBM software enables inventory solutions that are integrated with other internal and customer-facing processes and can offer business benefits both within the store and across your business.

Supply-chain management: streamlining operations and improving communication

As your retail business grows, so does the amount of information you need to keep up with. An increasing number of transactions is a good thing (more profit) but it also represents the challenge of transferring more information between employees, customers and suppliers. As customer demands and supply-chain needs—not to mention technology—quickly evolve, efficiently managing all the links in your supply chain can help you achieve cost control and effective communication.

Supply-chain management solutions from IBM and IBM Business Partners can keep information flowing across your entire value chain, helping ensure that the needs of customers, employees, suppliers and distributors are all met, virtually in real time, through online portals and real-time communication and collaboration capabilities. This agility can help your business operate with speed and efficiency, delivering e-business on demand through real-time information exchange. You may reduce supply-chain lag time, speed time to market and forecast demand more accurately. The results may include:



IBM software-based solutions: competitive differentiators

Retail solutions based on IBM software offer many benefits that set them apart from others—and can help put you ahead of the competition.

Business flexibility

Leverage open, modular technologies based on open industry standards that help you connect and integrate internal and external information and processes. Avoid being locked into proprietary technologies and solutions from only one vendor—so you can choose best-of-breed solutions that fit your business requirements. By tying business systems together, you can create a more flexible, responsive, on demand business environment.

Security-rich business processes

Take advantage of security technologies to help ensure the integrity of business data and customer transactions, speed business operations and keep customers coming back.

Investment protection

Leverage solutions designed and competitively priced specifically for growing retailers that help extend and increase the value of existing business and IT systems. With solutions based on open standards that support multiple platforms, you shouldn't need to replace existing investments to implement new capabilities now and in the future.

- Strong relationships with both customers and suppliers—helping to increase customer retention and competitive advantage.
- Reduced inventory costs while exceeding customer expectations.
- Increased revenues and improved customer service through higher product availability and order customization.

Retail solutions: one size does not fit all

The retail industry is greatly varied. Perhaps the only thing you have in common with the retailer across the street—or two mouse clicks away—is a cash register or online payment function. You have different customers, different suppliers and different needs. But the requirement to integrate business processes to respond efficiently to those needs remains a common denominator. For example, if your e-commerce solutions are already working well for your organization, how can you implement other retail solutions—like customer analytics and supply-chain management—and make sure that they will all work together smoothly? How can you ensure you won't need to replace existing systems to make way for more advanced capabilities?

Retail solutions from IBM and IBM Business Partners may help you achieve a clearly differentiated, competitive advantage. Designed, packaged and priced specifically for growing retailers, solutions based on IBM software integrate smoothly with other business processes and applications. They offer security-rich environments to maintain the integrity of customer and business data and transactions. And they support multiple platforms—so you shouldn't need to replace existing systems to implement new capabilities. IBM software-based solutions take into account your needs and are built on technology based on open industry standards. Using standards-based solutions means you aren't locked into retail solutions from just one vendor. Standards-based solutions give you flexibility to integrate applications and processes with what you're already using—as well as other solutions you may implement in the future as your needs change, as they inevitably will. With retail solutions from IBM and IBM Business Partners, you'll have flexible solutions that can grow with you.

Summary

In today's on demand world, you are pressured to offer more products, with greater customization, through more channels and with better customer service to remain profitable and competitive. As a growing retailer, you have an opportunity to implement business solutions early on that can grow with your business. In choosing retail solutions, it is important to consider whether they can be integrated with other business processes, whether they offer scalable and flexible capabilities to meet your unique requirements and whether they offer the security you need.

Solutions that operate within their own silo may offer your organization limited benefits that may not work for you in the future. But solutions based on IBM software offer scalable, security-rich capabilities that help you integrate customer, store, supplier, distributor and employee information and processes. These solutions address specific retailer challenges including inventory control, store operations, e-commerce, customer loyalty and profitability and supply-chain management. And notably, IBM software-based solutions can be integrated with other existing retail business processes. Helping you become more nimble and flexible. And letting you respond to nearly every business opportunity that comes your way.

For more information

To learn more about retail solutions from IBM and IBM Business Partners, contact your IBM sales representative or visit:

ibm.com/software/smb





© Copyright IBM Corporation 2004

IBM Corporation
Software Group
Route 100
Somers, NY 10589
U.S.A.

Produced in the United States of America
02-04
All Rights Reserved

IBM, the IBM logo, e-business, e-business on demand and the e(logo) business on demand lock-up are trademarks of IBM Corporation in the United States, other countries, or both.

Other company, product and service names may be trademarks or service marks of others.