

# IBM Business Connect

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July 23 | Vineyard Hotel and Spa, Cape Town

## IBM Working Smarter For The Future

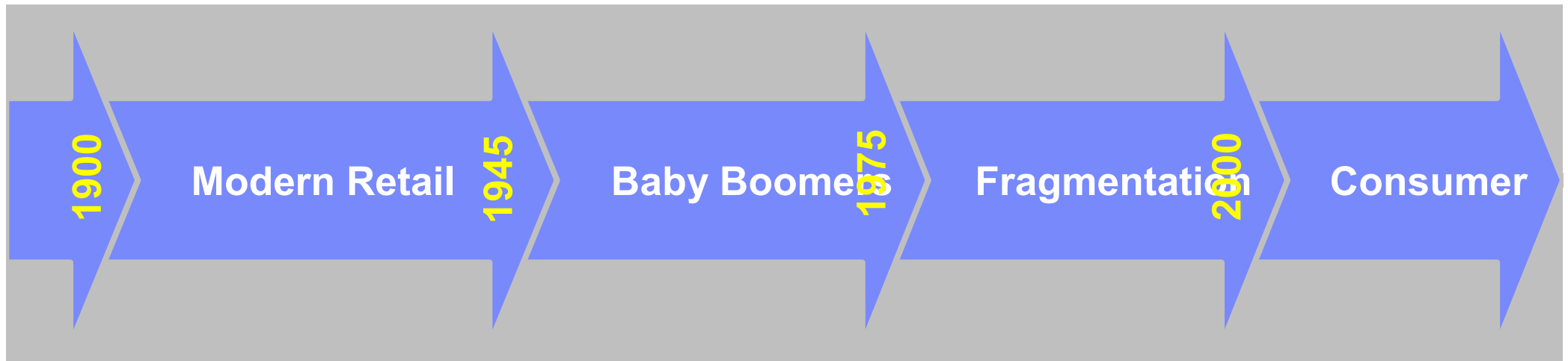
Gerard Dumont

24 February 2013

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# 100 Years of Retail, Déjà vu, all over again;



**Retail 2020:  
Reinventing retailing—  
once again**

*A joint project between IBM and New York University  
Stern School of Business*

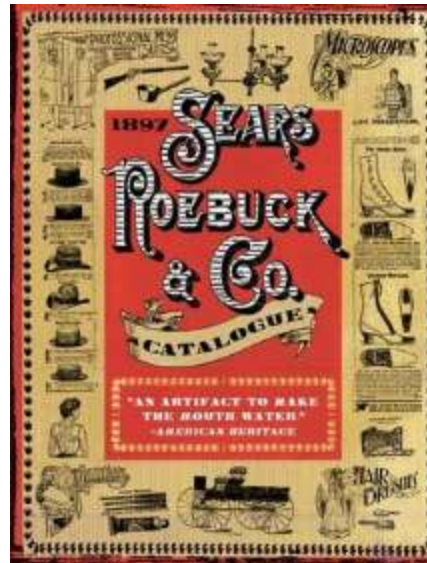
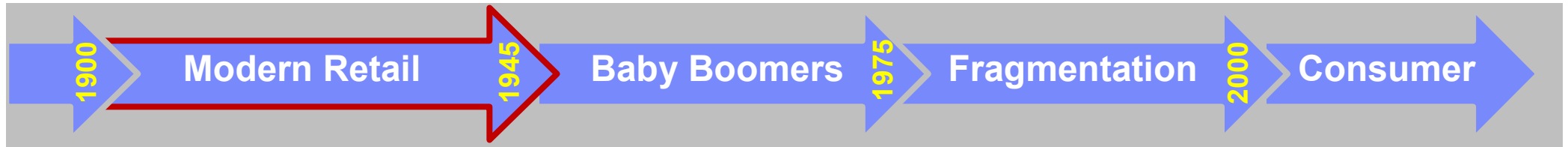


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# The emergence of modern retail



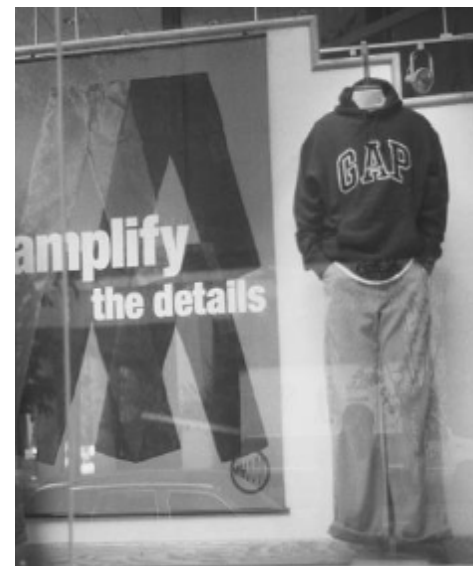
## Producer Power

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# “Baby boomers” drive postwar growth



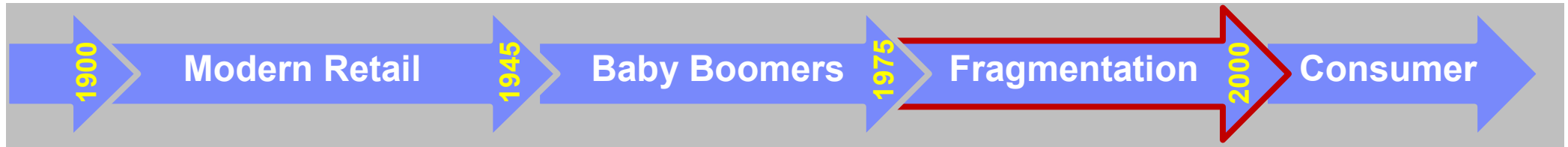
## *Distributer / Retailer Power*

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# The mass market fragments



TOYS 'R' US

STAPLES

WAL-MART

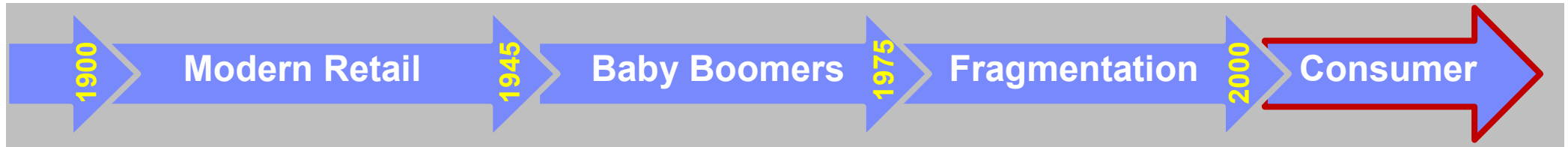
## Retailer Power

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# Consumers take increasing control



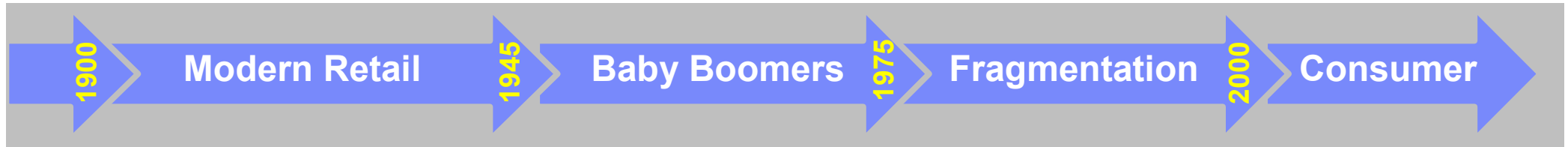
## Consumer Power

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# **“20/20” hindsight provides four important lessons**



**#1 pace of change is accelerating**

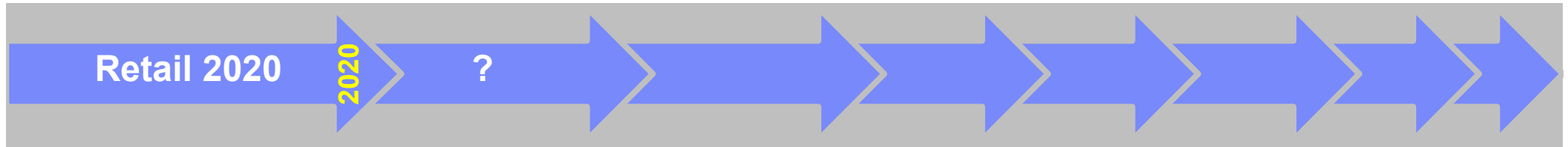
**#2 all retail strategies become obsolete**

**#3 power shifts in the distribution channel**

**#4 innovation and technological advances redefine**



# Retail in 2020 and beyond



# millennials in charge

# consumers trade up and down

# emerging markets growth

# e-commerce challenges “brick and mortar”

# new ways of shopping



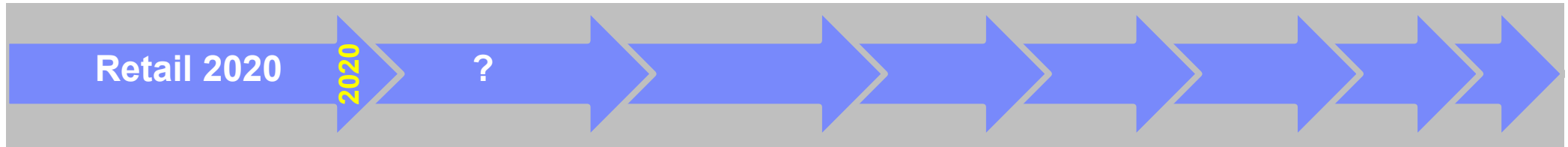
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# Implications for Retail today



- # appeal to millennials.
- # build and maintain a strong, compelling brand
- # rethink retail space in your portfolio
- # make it easy to shop, wherever, whenever
- # speak to your customers personally
- # become a low-cost operator in your segment
- # use the store and technology as a competitive weapon
- # invest in associates who solve customer's problems.

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# Global Technology Outlook (GTO) Objectives

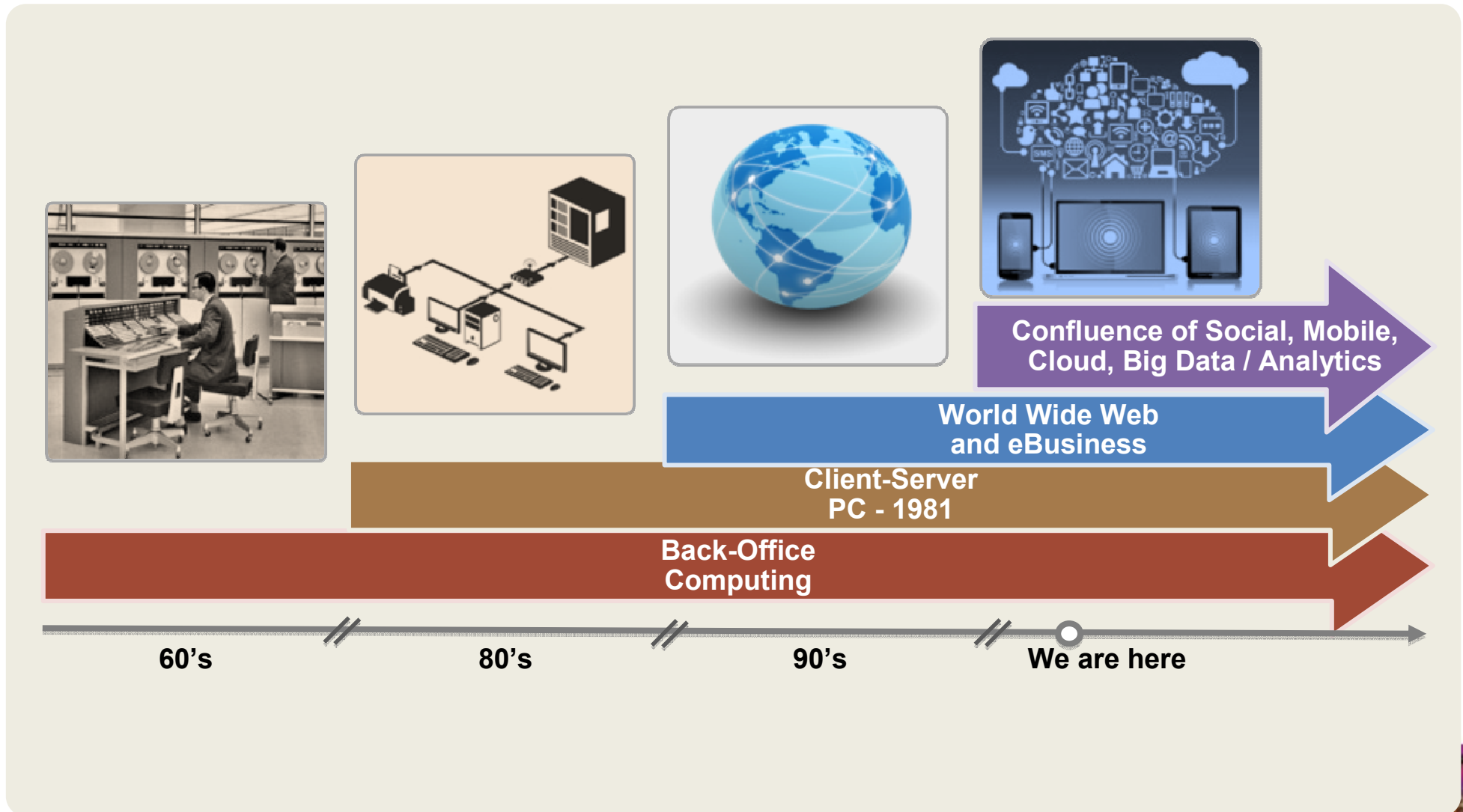


The GTO identifies **significant technology trends** and identifies high-impact disruptive technologies leading to **game-changing products and services** over a **3-10 year horizon**.

Technology thresholds identified in a GTO **influence** clients, enterprises, and industries, and have **high potential to create new businesses**.



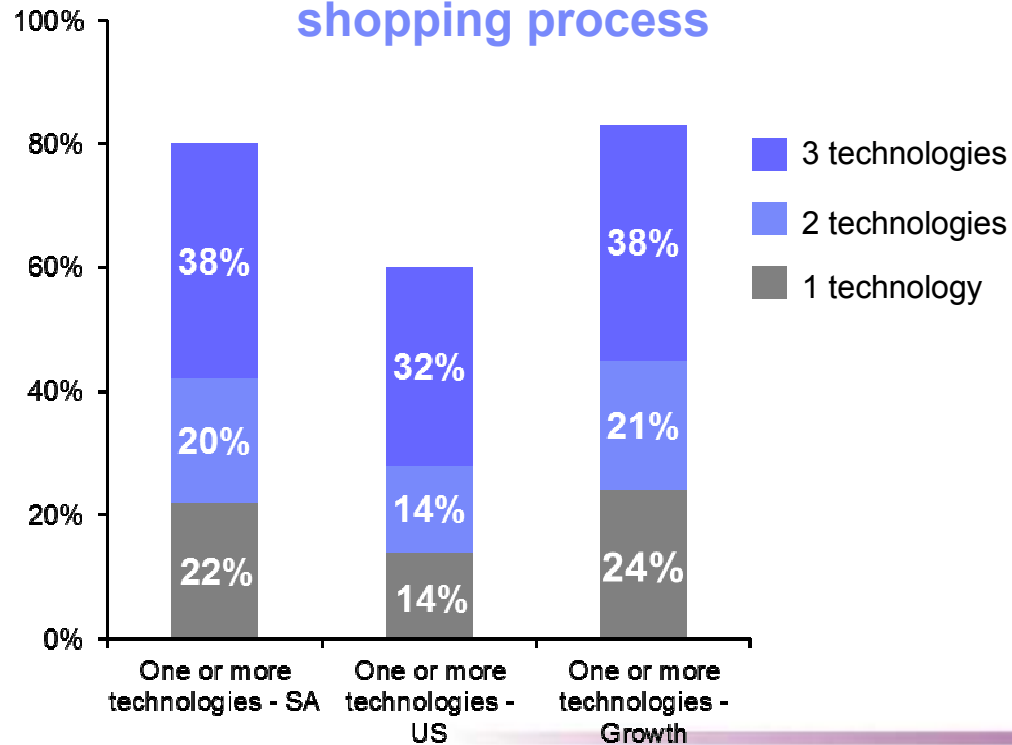
# Major Waves of Technology



# The store is important



## The number of technologies consumers desire to use in the shopping process



## Technologies consumers are willing to use to shop and to make purchases

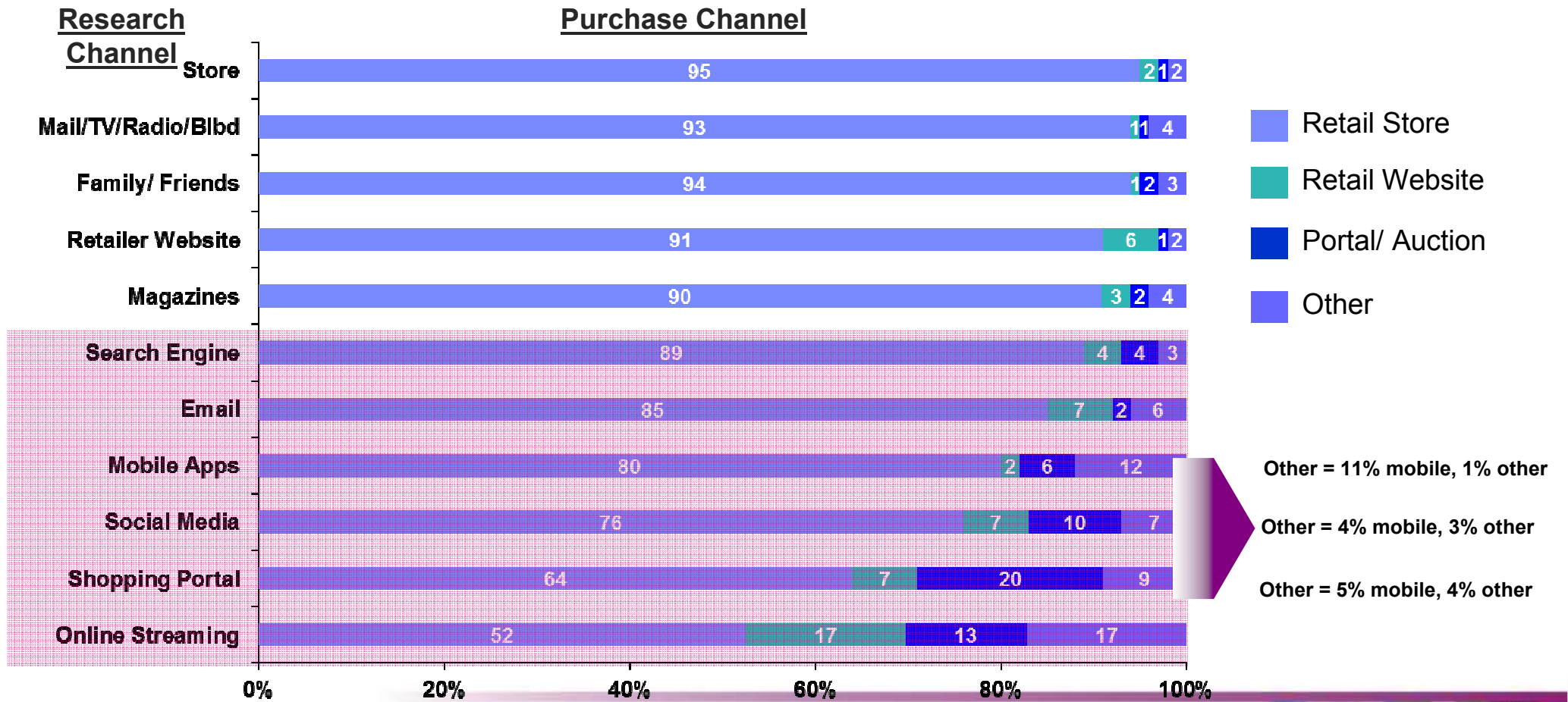
- Website
- Mobile technology
- Social Network
- Retailer website to co-create products
- TV (using a remote control)
- Social videos (YouTube, YouKu)
- Electronic games

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Source: IBM Retail 2012 Winning Over the Empowered Consumer Study n= 28527 (global) C01 Which of the following would you be willing to use to shop and to make purchases, assuming they are available?

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# Globally stores are the number one venue



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Source: IBM Institute for Business Value Analysis, Retail 2012 Global; n= 28527, SA: n=1800. PM04 After getting information at (research method), where do you usually purchase the item you researched?

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# Local research indicate the store remains



facebook



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Source: IBM Retail 2012 Winning Over the Empowered Consumer Study n Global; n= 28527, SA: n=1800 PM01: Please select the top 3 ways you become aware of new [pipe product category]?

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Source: IBM Social Media Analytics Study Oct 2011 – Oct 2012 - BoardReader ZA



# IBM Smarter Retail imperatives



DELIVER **A**  
**SMARTER**  
**SHOPPING**  
**EXPERIENCE**

360° View of  
Customer

Connected  
Marketing

Omni-Channel  
Commerce



BUILD **SMARTER**  
**MERCHANDISING**  
**& SUPPLY**  
**NETWORKS**

Omni-Channel  
Merchandising

Omni-Channel  
Supply Networks

DRIVE **SMARTER**  
**OPERATIONS**

Back-Office  
Transformation

Retail Infrastructure  
Optimization

Performance Insights  
and Management

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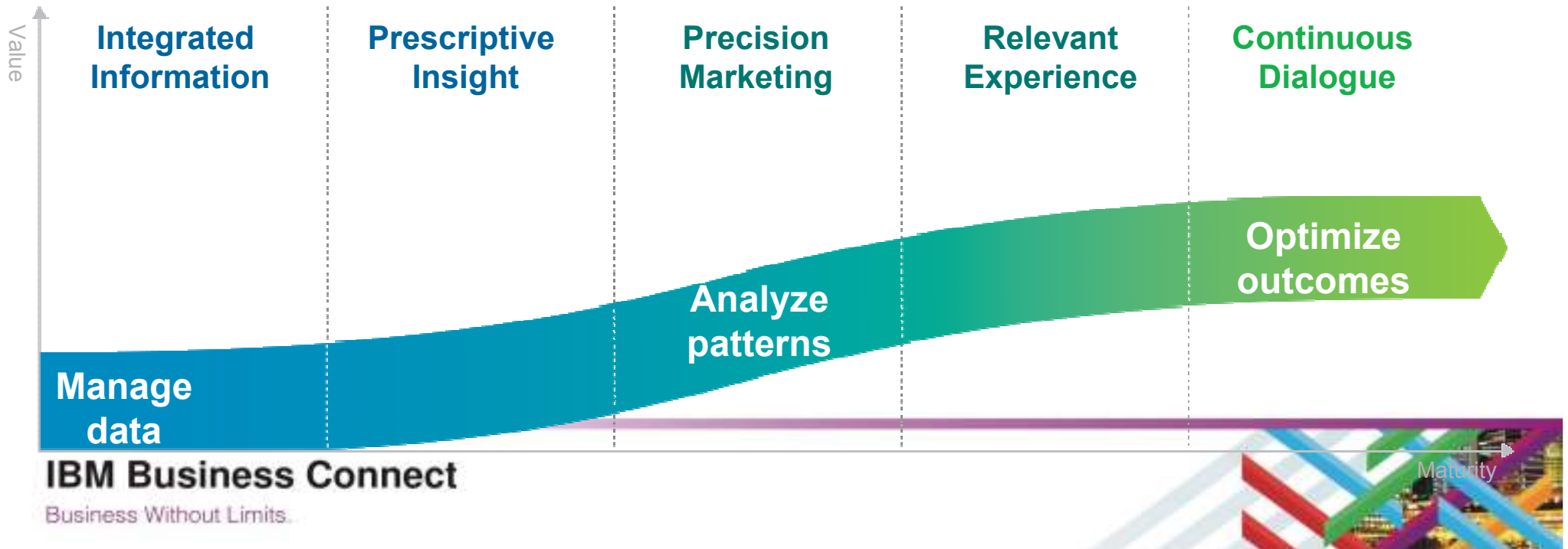
# How do you deliver a superior customer experience?



## Business outcomes

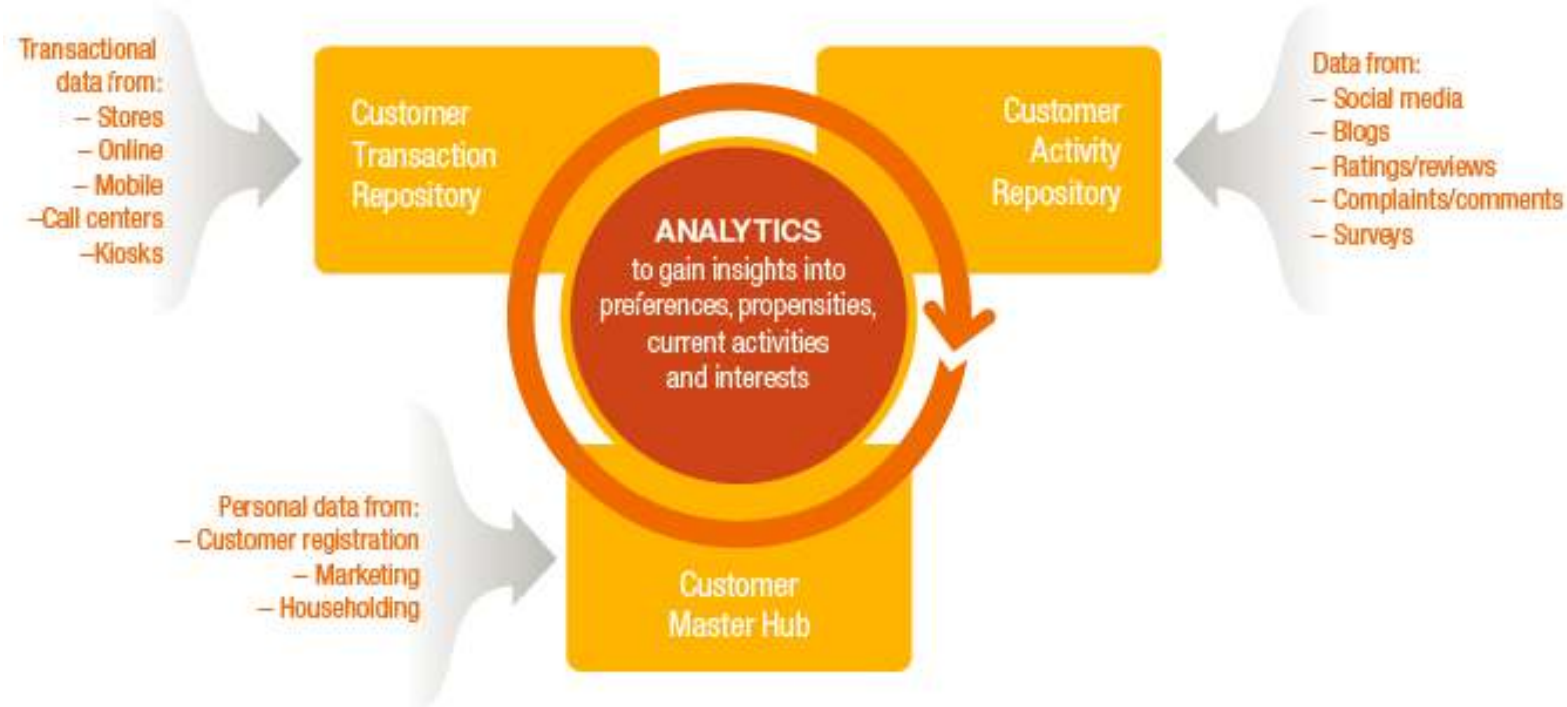
- Increase revenue
- Improve margins
- Reduce inventory levels
- Enhance customer loyalty
- Reduce marketing expenses
- Increase SG&A efficiency

## Transformational stages





# 360° VIEW OF CUSTOMER



## BENEFITS

Increased Sales

Increased customer retention rate

Improved satisfaction and loyalty

## Software Solutions

- IBM InfoSphere Master Data Management for customers and products
- IBM SPSS
- IBM Cognos® Business Intelligence
- IBM Social Media Analytics

## Technology Platforms

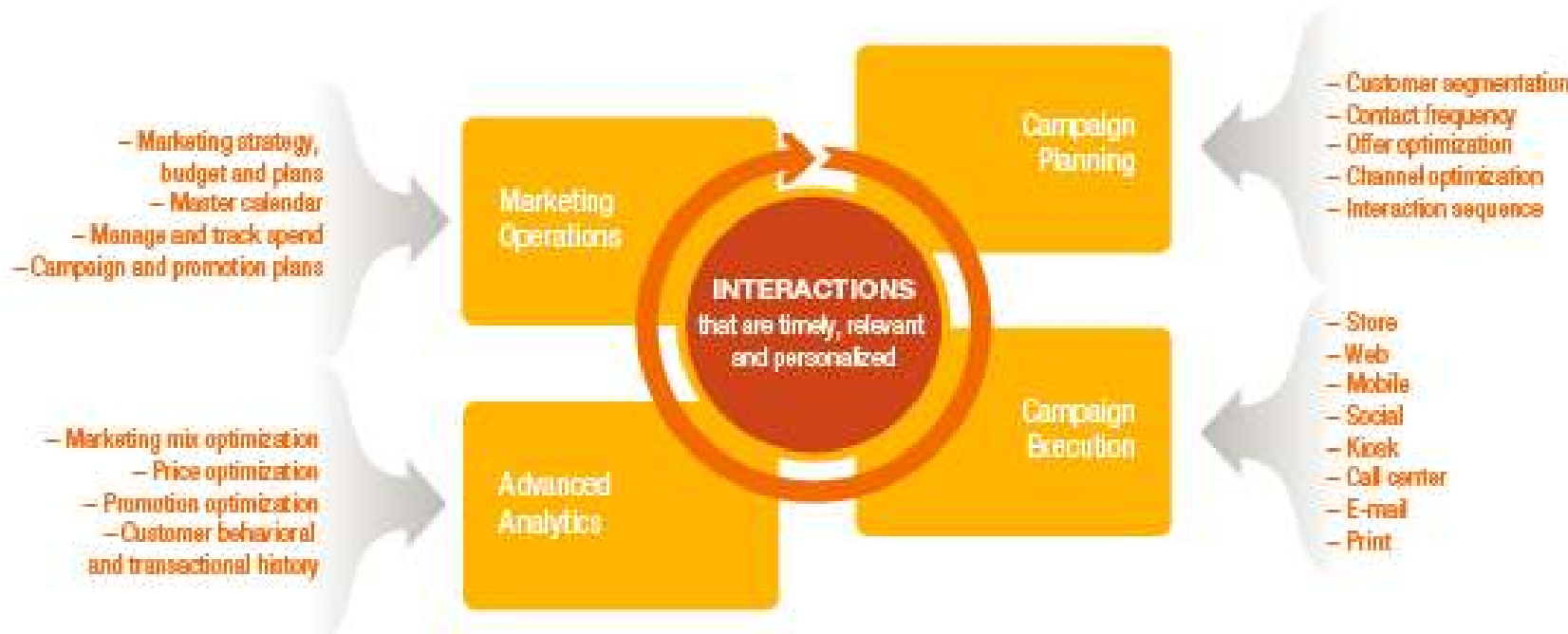
- Advanced analytics on IBM Power Systems™ and System z® hardware
- IBM PureData System for Analytics, powered by IBM Netezza® technology

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# CONNECTED MARKETING



## BENEFITS

- Improved conversion rates
- Improved customer loyalty
- Increased return on marketing investment

### Software Solutions

- IBM Enterprise Marketing Management
- IBM DemandTec
- IBM Digital Marketing Optimization
- IBM Tealeaf
- IBM SPSS

### Technology Platforms

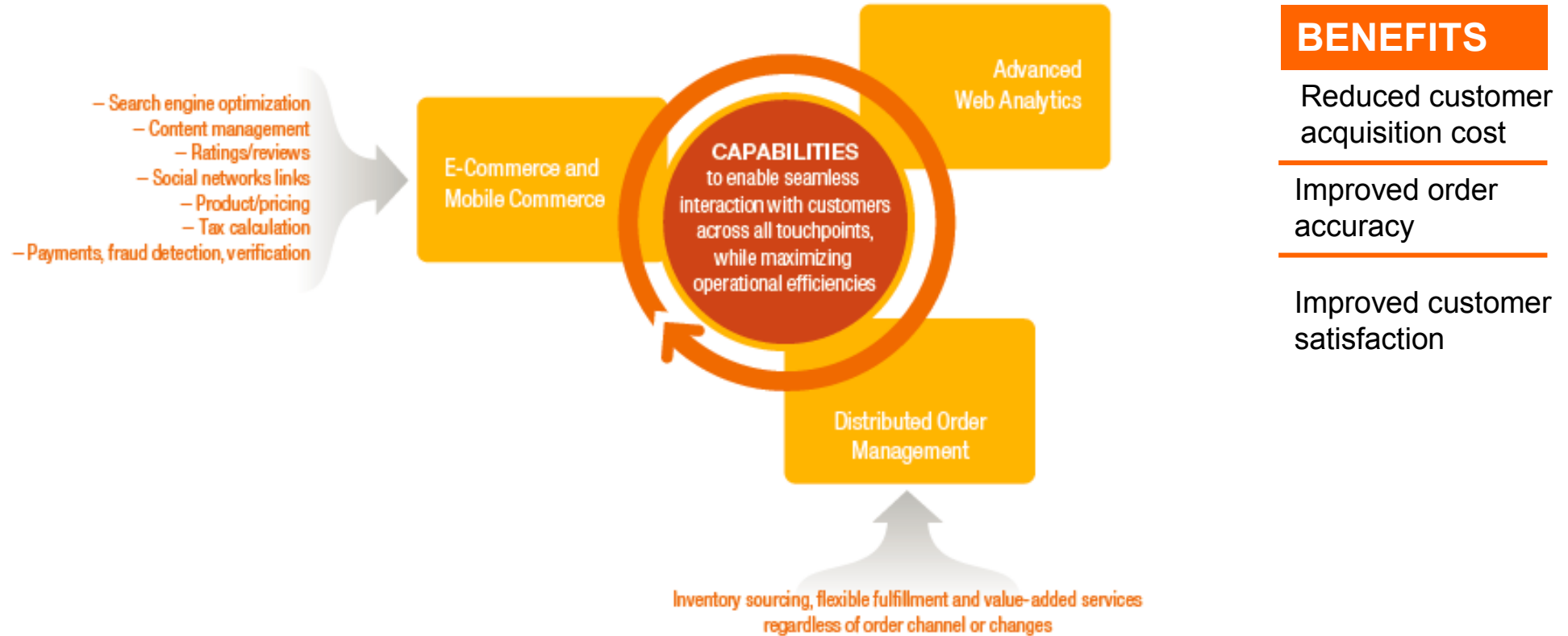
- IBM Enterprise Marketing Management on IBM Power Systems
- IBM SmartCloud

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# OMNI-CHANNEL COMMERCE



## Software Solutions

- IBM WebSphere Commerce
- IBM Sterling Distributed Order Management
- IBM Digital Analytics Benchmark
- IBM MobileFirst

## Technology Platforms

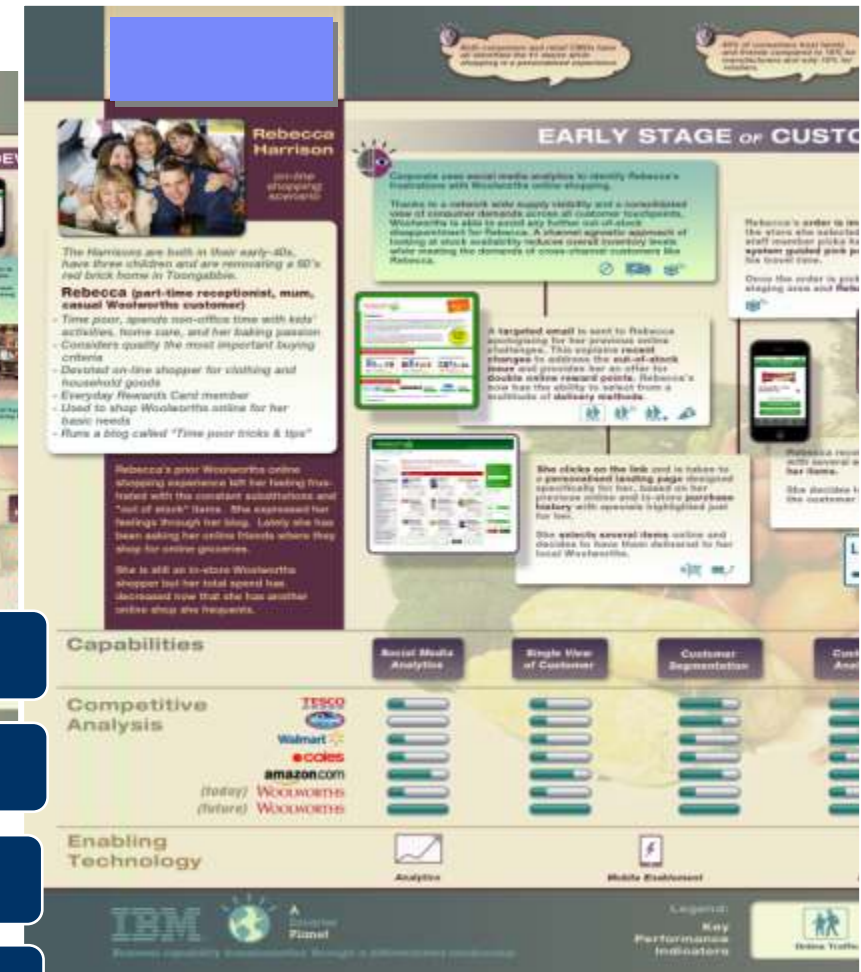
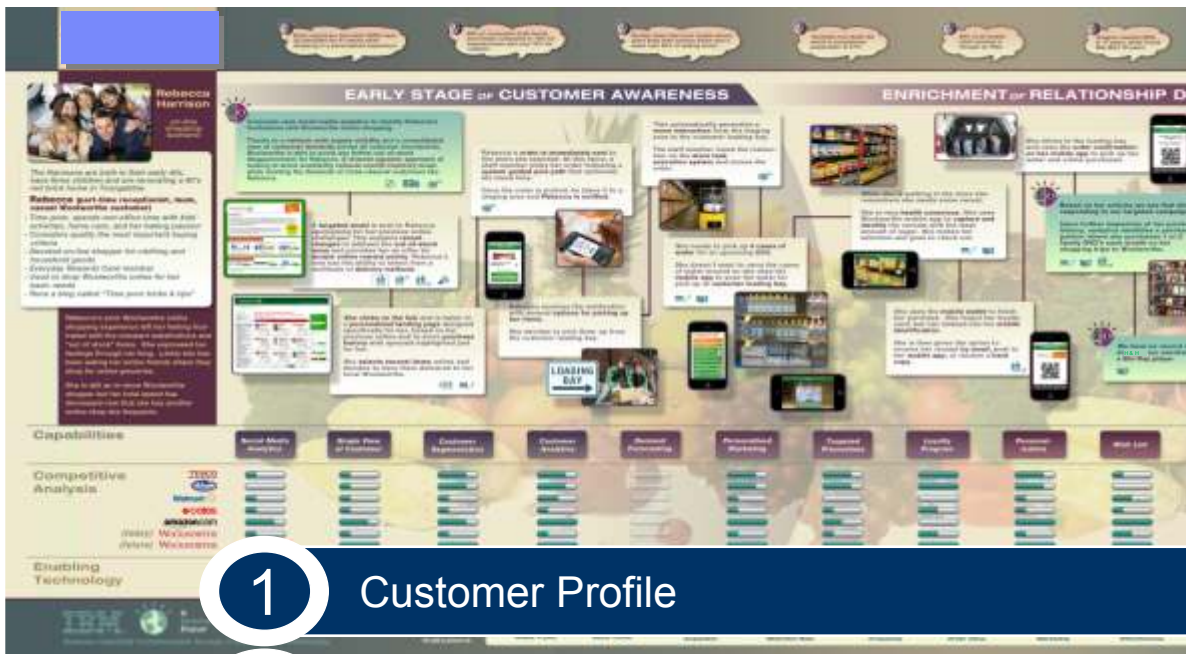
- IBM WebSphere Commerce & Sterling DOM on Power Systems
- IBM SmartCloud – Commerce Cloud & Payment Systems

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# Customer journey maps help envision the future



- 1 Customer Profile
- 2 Customer Journey Activities and Stories
- 3 Key Capabilities and Differentiators
- 4 Key Performance Indicators

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# Redcats utilizes sophisticated data analytics



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



**REDCATS**

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# Staples applies an advanced, precision e-commerce



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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# Orvis creates the level of customer intimacy



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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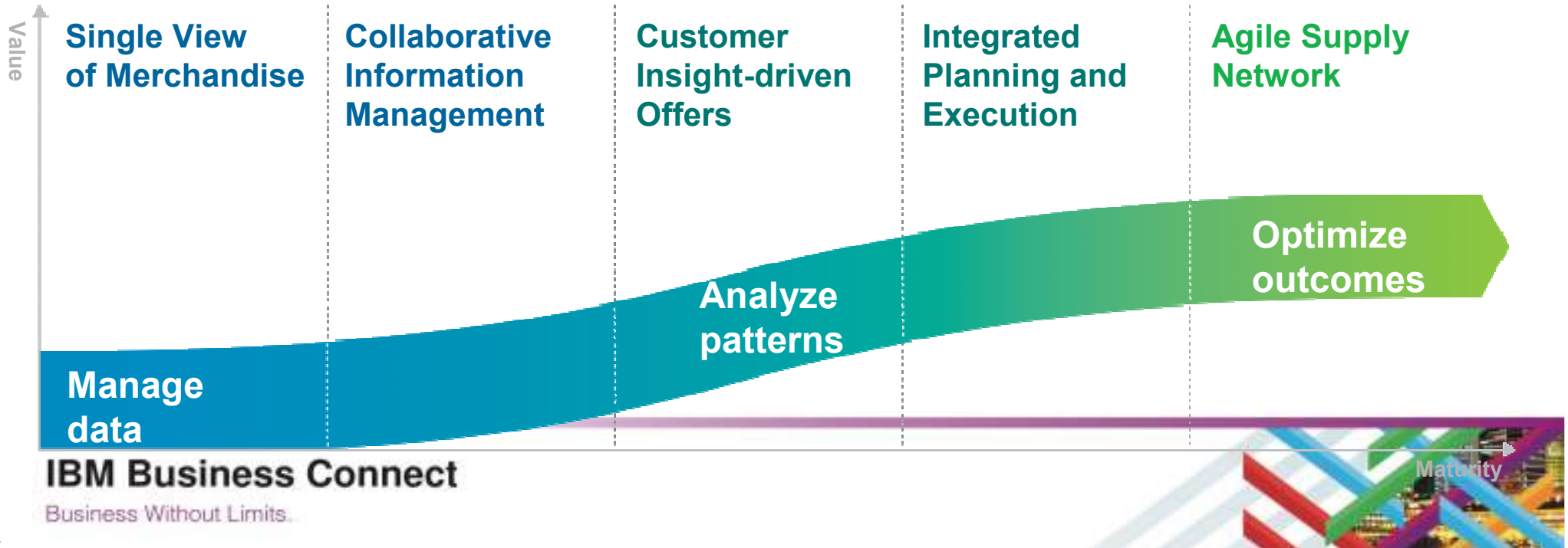
# How do you build a smarter Merch. and Supp. network?



## Business outcomes

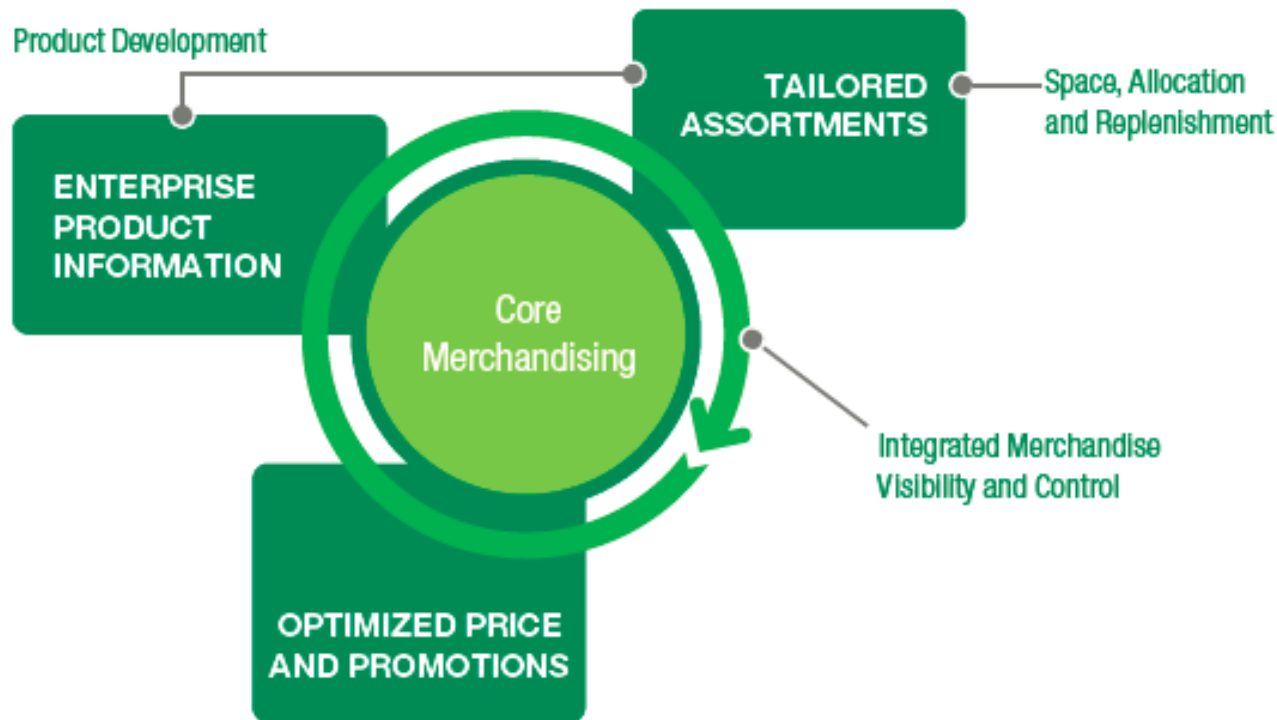
- Increased revenue from targeted assortments and more effective promotions
- Increased margins resulting from better price and markdown management
- Reduced inventory carrying costs from more effective inventory management

## Transformational stages





# OMNI-CHANNEL MERCHANDISING



## BENEFITS

- Increased sales
- Improved gross margin
- Improved inventory turnover

### Software Solutions

- IBM Cognos (Business Intelligence, Planning and TM1)
- IBM InfoSphere Master Data Management
- IBM SPSS
- IBM DemandTec
- IBM WebSphere Integration

### Technology Platforms

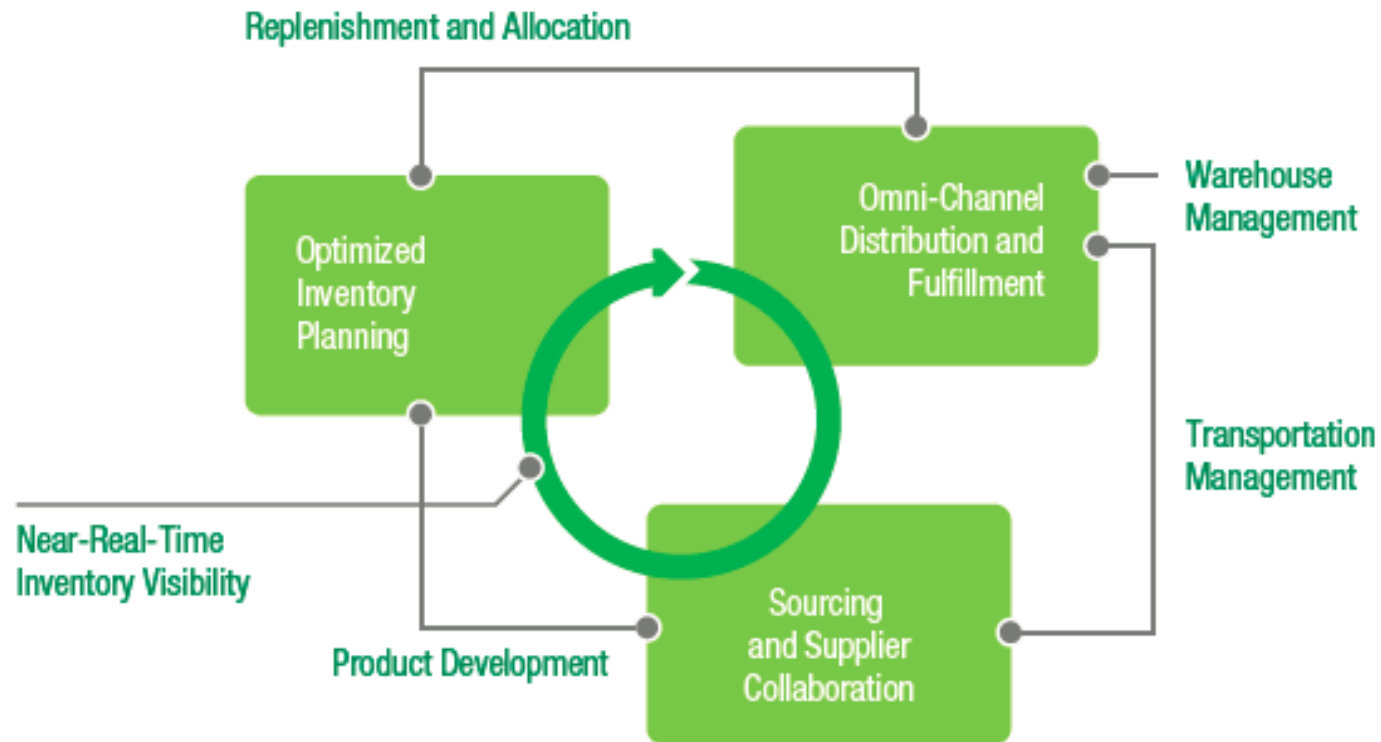
- Core merchandising on Power Systems and IBM PureApplication™ System
- IBM PureData System for Analytics
- IBM SmartCloud – Sterling Market Place

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# OMNI-CHANNEL SUPPLY NETWORKS



## BENEFITS

Reduced operating costs

Faster delivery times

Improved product availability

### Software Solutions

- IBM Sterling (Transportation Management System, Supply Chain Visibility and B2B Integration)
- IBM Sterling Order Management
- IBM ILOG Supply Chain Optimization
- IBM DemandTec trade fund management
- IBM WebSphere supplier portal
- IBM Emptoris®
- IBM WebSphere Integration
- IBM Cognos Business Intelligence
- IBM SPSS

### Technology Platforms

- Warehouse and transportation applications on IBM Power
- Systems and PureApplication System

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# A large national auto parts retailer



30%

accuracy improvement on inventory placement

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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# True Value improves their inbound supply performance

**57 percent**

reduction in lead time,

**10 percent**

increase in fill rate, and

**85 percent**

reduction in backorders.



**Business problem:** True Value sought to reduce inbound ordering costs and improve customer service levels.

**Solution:** Link data from internal procurement, warehouse and transportation systems with external data from freight forwarder, broker and carriers.

“The better data you have, the better decisions you can make.”

—Greg Linder, Director of Supply Chain Operations, True Value



True Value is one of the world's largest retailer-owned hardware cooperatives, serving [54 countries](#) with more than [5,000 stores and 12 regional distribution centers](#). As such have a complex global operation. They source merchandise from domestic and international suppliers. Logistically, they process [64,000 domestic inbound loads](#) and [over 600 million pounds of freight annually](#). Internationally, True Value imports [3500 containers](#) annually through [30 international ports](#), and [10 domestic ports](#), using [5 ocean carriers](#).

# A major retailer, uses insight to execute on a more effective inventory strategy.



**\$1.5M**

Projected reduction in transportation and inventory holding costs



**Business problem:** Retailer sought to determine the most effective inventory strategy.

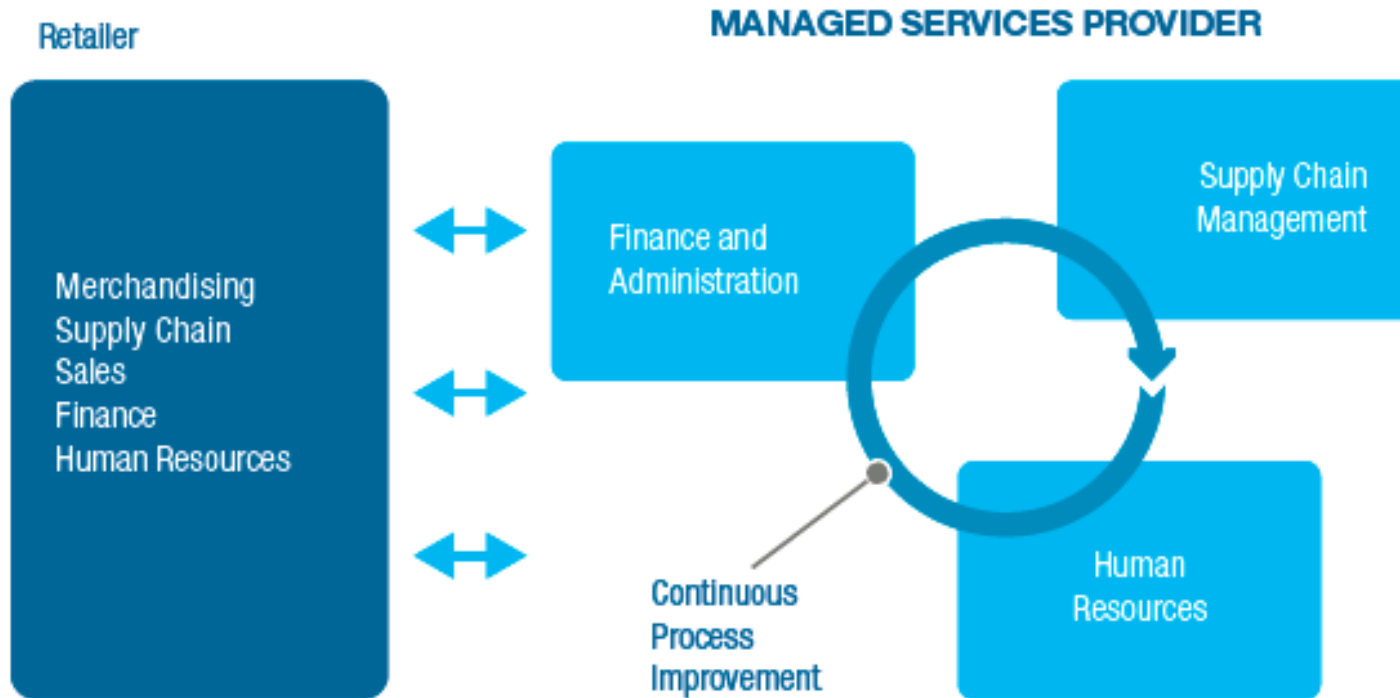
**Solution:** Use an IBM inventory planning solution to reallocate nearly 25 percent of SKUs, with a projected cost reduction of more than \$1.5 million.

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# BACK OFFICE TRANSFORMATION



## BENEFITS

Reduced selling, general and administrative expenses driven by back-office functions

Reduced indirect purchasing costs

Improved financial compliance

### Software Solutions

- IBM TRIRIGA store lifecycle management system
- IBM Emptoris
- IBM Maximo
- IBM Lotus
- Many additional IBM software solutions

### Managed Services

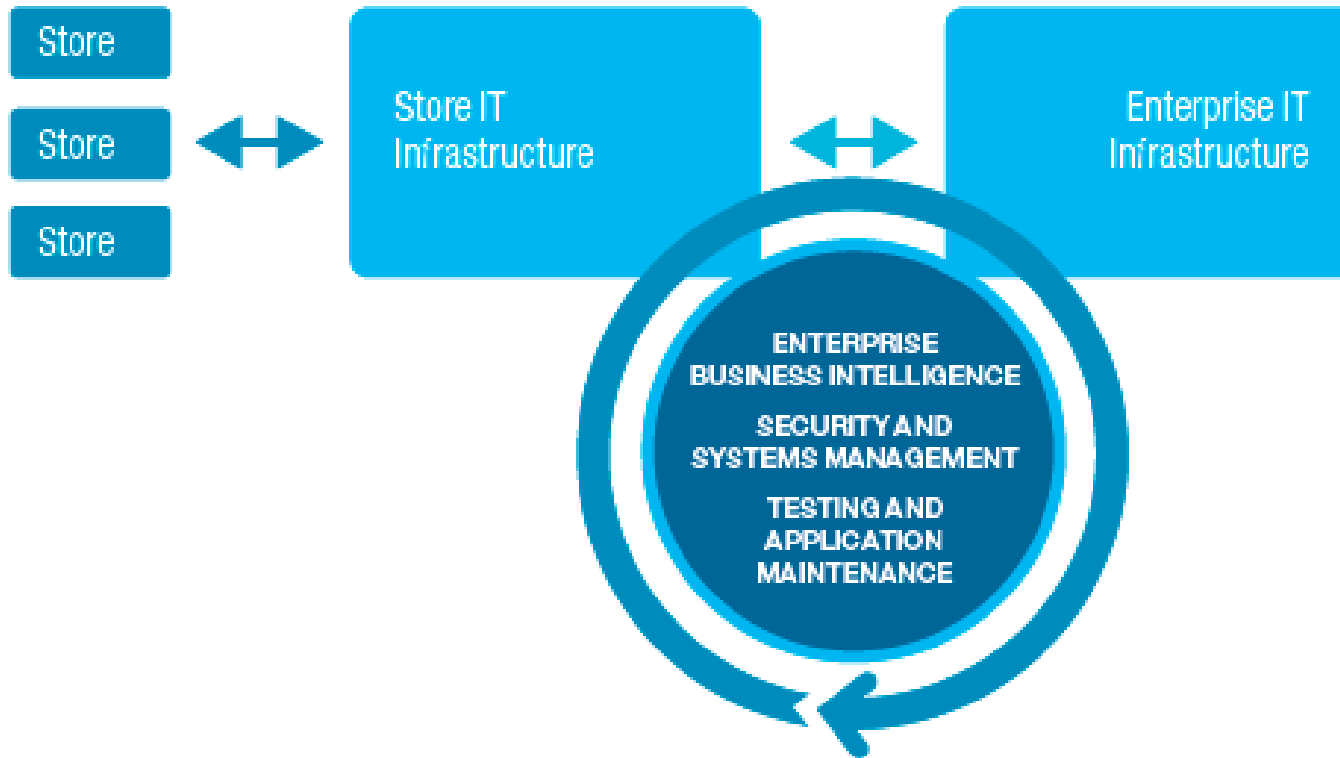
- Finance and administration
- HR and payroll administration
- Non-merchandise (indirect) procurement and supply chain management
- Several additional process areas

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# RETAIL INFRASTRUCTURE OPTIMISATION



## BENEFITS

Reduced overall IT spend

Faster time-to deployment of new functionality

Improved application quality control

### Software Solutions

- IBM Tivoli
- IBM Cognos Business Intelligence

### Managed Services

- Through IBM Global Technology Services:
  - Strategic IT outsourcing
  - Infrastructure and platform on the IBM cloud
  - Backup and archive on the IBM Cloud
- Through IBM Global Business Services:
  - Application management
  - Application testing

### Technology Platforms

- IBM Retail Data Warehouse on IBM Power
- Retail ERP (SAP and Oracle) on IBM PureSystems

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# PERFORMANCE INSIGHTS AND MANAGEMENT



## Software Solutions

- IBM Cognos TM1
- IBM Cognos Business Intelligence
- IBM SPSS
- IBM Lotus

## Managed Services

- CFO performance insight

## Technology Platforms

- IBM PureSystems
- IBM PureData System for Analytics

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# Metro Inc. deploys a fully virtualized server landscape



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

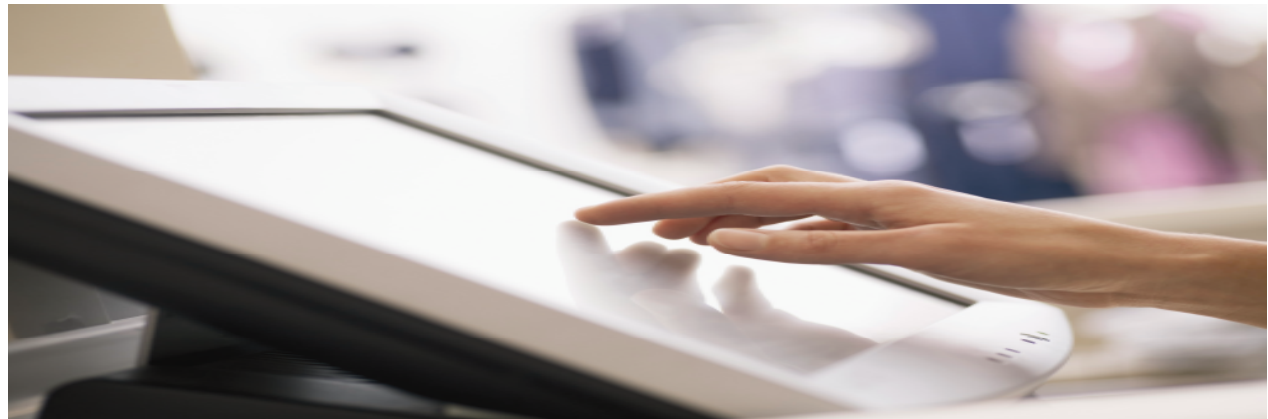
# Giant Tiger bridges the gap in financial planning



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® Cognos® TM1 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 Cognos TM1 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.

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



# IBM is committed to the Retail Industry



## IBM's retail capabilities

- **4000+** retail professionals
- **2000** business partners
- Leading **research** through our Institute for Business Value and C-Suite studies
- Over **\$6 Billion** invested in R&D annually
- **20 years** as leading innovator earning most patent awards

DELIVER **A**  
**SMARTER**  
**SHOPPING**  
**EXPERIENCE**



BUILD **SMARTER**  
**MERCHANDISING**  
& **SUPPLY**  
**NETWORKS**

DRIVE **SMARTER**  
**OPERATIONS**



Smarter Retail



Smarter Commerce



Smarter Analytics

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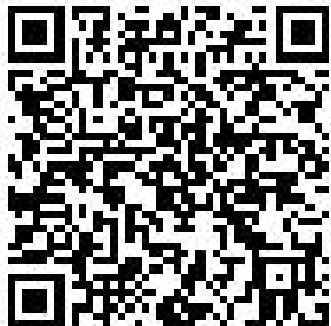


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