

# PERFORMANCE MANAGEMENT IN RETAIL

INCREASE VISIBILITY,  
ACCOUNTABILITY, AND  
PROFITABILITY ACROSS  
THE ENTERPRISE



**COGNOS®**

THE NEXT LEVEL OF PERFORMANCE™

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## INTRODUCTION

In an industry with fierce competition, low margins, blurring segments, multiple sales channels, and high volatility, retailers have to track performance effectively. To maintain productivity and profitability, they must leverage data and information as never before in order to plan and analyze operations, discern shifting market demands, collaborate with suppliers, and track consumer trends.

As a first step, retailers are choosing business intelligence software to gain greater insight into their operational systems—inventory, point-of-sale, ERP, and supply chain management—to better understand the business.

“Continuing a three-year trend, retailers see business intelligence as one of the most vital and critical technology assets, with 53% of respondents citing it as the top IT infrastructure priority,” AMR Research wrote in a recent retailer survey. “Aggregating demand signals from the disparate operational applications and data sources and mining that data to draw insight that optimizes replenishment, promotional strategy, pricing models, and labor allocation are the main objective with these investments.”<sup>1</sup>

Beyond business intelligence, the ability to optimize company performance is a broader, strategic imperative. But measuring and managing performance—metrics, plans and forecasts, and detailed actual results—has been a challenge because disparate legacy solutions and IT processes provide limited visibility into the business.

Market realities have increased the requirement for timely and effective management oversight. You need to see the big picture—the relationships, connections, and direction—as well as the details—sales, margins, suppliers, customers, and channels—to make informed decisions. This is the promise of retail performance management.

***“Global retail sales are forecast to rise just 1.7% to \$10.36 trillion in 2005, a sharp decrease in growth from 2004.”***

Source: Economist Intelligence Unit<sup>2</sup>

***“In order to compete and prosper, retailers today face a mandate to operate at an optimal level of performance to meet financial and organizational expectations. This mandate is transforming the way retail organizations do business. This evolution is driving higher standards of competence in day-to-day store operations and adding new pressure to increase stakeholder value up and down the enterprise. In today’s business climate, the agility with which a retailer manages and optimizes performance can directly impact market position and profitability.”***

Ventana Research<sup>3</sup>

<sup>1</sup> Robert Garf, Fenella Scott. *Retail IT Spending Profile, 2004–2005: Consumer-Focused IT Investments Fuel Spending Growth*. AMR Research, September 15, 2004.

<sup>2</sup> Industries: The world in figures. The World in 2005. *The Economist*.

<sup>3</sup> *Maximizing Retail Store Performance Management*. Ventana Research, 2004.

## RETAIL PERFORMANCE MANAGEMENT

To stay ahead in a reactive and competitive marketplace, you need to spot trends and make informed decisions quickly. With retail performance management, you gain access to the reliable, timely information that drives better decisions. While you may have any number of decisions to make, they depend on answers to these fundamental questions:

- **What is happening**—A gauge of the most critical indicators for your organization.
- **Why**—The ability to dig deeper into current issues to understand what led to the results.
- **What should happen**—The facility to set plans, allocate resources, monitor them, and adapt.

Cognos provides a single, enterprise-wide platform for retail performance management. It integrates and leverages your critical financial and operational data, and delivers the scorecarding, reporting and analysis, and planning tools you need to optimize performance.

With integrated plans, business intelligence, and performance metrics, you can dramatically improve your understanding of the organization. And this improves your ability to make timely and informed decisions that increase sales, protect margins, and improve operations.

### *Scorecarding*

Scorecarding, with Cognos 8 Business Intelligence, communicates your strategy and objectives through a metrics-based method of management. It answers “What is happening” by providing people with the information they need to take ownership of their performance—visibility into strategy, understanding the part they play in making the strategy succeed, and the metrics to measure their success.

By enabling the strategic alignment of objectives against performance metrics, you can answer at any time the key question: Are we making progress on the things that must be done?

Use Cognos scorecarding to:

- Monitor sales and margin performance by channel, division, region, store, product line, or vendor.
- Measure performance against strategic company initiatives.
- Track financial goals in terms of growth, profitability, key controllable expenses, and return-on-net assets.
- Measure marketing and merchandising effectiveness.
- Evaluate supply chain activities, vendor performance, and logistics operations across a range of metrics.

### *Reporting and analysis*

The large volumes of data your organization amasses—POS, merchandising, supply chain, financials, human resources—reside in many sources and systems across the enterprise. Consolidating this information is a huge challenge. It is especially difficult given that there can be as many tools used to analyze and report on the data, creating further islands of information.

Cognos 8 BI consolidates and leverages your critical data, and turns it into meaningful information and reports that everyone can use. You can quickly spot trends and drill down to discover underlying causes and issues. The flexible, user-friendly reporting means everyone has the right information delivered in the right way—across all departments, locations, functions, and roles.

With a single, standardized BI platform for reporting and analysis, you can accurately assess the “Why” behind operational activity and performance. This provides the necessary context against which decisions can be made.

Use Cognos reporting and analysis to:

- Report on performance by channel, division, region, store department, category, or product to maximize profits.
- Analyze sales and item movement data to understand demand, optimize staffing levels, and improve in-stock position.
- Understand consumer and market trends, and react quickly to provide a more positive shopping experience.
- Consolidate, analyze, and report on market basket information.

### ***Planning and budgeting***

Many retailers still use spreadsheets as their primary vehicle for planning and budgeting. Spreadsheet-based systems create islands of financial and planning data, where everyone works independently. This disconnected approach does little to support corporate and management goals, cross-functional collaboration, or the dynamic planning cycles needed to address changing market and competitive conditions.

What’s required is a solution that replaces a fragmented process with continuous, collaborative planning that supports your business drivers and delivers up-to-date insight into performance. Cognos Planning helps you build a foundation for higher performance by connecting strategy to plans, targets, and operational objectives.

Cognos Planning addresses “What should happen” by allowing you to set strategic initiatives and turn them into discrete plans and budgets for the entire enterprise—from central office to store operations, and marketing to distribution centers. Plans can be built to maximize operational effectiveness, and they can be easily realigned as conditions change.

Use Cognos Planning to:

- Develop long-range, financial, cost center, and headcount plans, forecasts, and budgets across the enterprise.
- Create financial and operational plans for stores, channels, marketing, merchandising, and supply chain operations.
- Increase accountability across the organization by allowing the lowest level of operations (e.g., department, district/store managers) to contribute to the planning process.
- Support timely updates of forecasts to address changing market influences, new initiatives, and competitive factors.
- Engage the entire retail enterprise—headquarters, region, store, channel—with real-time feedback on progress toward goals.

## YOUR PATH TO RETAIL PERFORMANCE MANAGEMENT WITH COGNOS

Where companies begin on the path to retail performance management will differ, and how quickly they implement the platform will vary. The bottom line is that you can take an incremental approach, starting with one performance management component and building from there. Every time you address one element in the system, you strengthen your decision-making and performance.

### ***Starting point 1—the one thing***

If you were to do one thing to improve your organization's performance, what would it be? For some, it is segmenting customers to optimize profitability. For others, it is involving all levels of the organization in the budgeting process. For others still, it is gaining the ability to adapt quickly to changing business conditions. Cognos technology lets you understand the information to do the one important thing, and then grow from there.

### ***Starting point 2—the data***

Leverage your existing data resources. You may have data locked away in a variety of databases and legacy systems, with no effective way to report against them. Access and integrate this data, and then let everyone from home office executives to store managers generate their own timely, meaningful reports. With a firm grasp on the "Why" behind performance, you are ready to move forward.

### ***Starting point 3—the scorecard***

Take advantage of a scorecard or other method to drive your performance agenda. Monitor the key metrics that map to your organizational strategy. Leverage your existing data resources to deliver this information into a scorecard that shows you status, trends, relationships, and interdependencies and gives you the ability to drill through to the business intelligence layer for more information.

### ***Starting point 4—the plan***

Change your budget into a rolling, responsive forecast. Go beyond the unwieldy spreadsheet-based system. Use technology to engage all cost and revenue centers in preparing realistic forecasts that take into account your organization's overall strategy. Save time and resources usually committed to this process, and turn them into better analysis and forward-looking thinking.

## DRIVING UP PROFITS

In the highly competitive retail marketplace, businesses must be decisive and able to adjust quickly as economic factors, trends, and consumer needs change. Effective decision-making depends on having access to accurate, current information you can act on—you need to know what is happening, why, and what should happen.

Cognos understands the challenges of the retail industry. Whether you need to track multi-channel operations, plan for new initiatives, or understand the trends that are impacting your business, Cognos performance management delivers the deep insight you need. Our decision-making platform leverages your information and resources—to help you survive and thrive in the current retail environment.

## RETAIL CUSTOMERS IMPROVE THEIR PERFORMANCE WITH COGNOS

Cognos offers greater depth and breadth of experience in the retail industry than any other performance management vendor. Over 300 retailers globally rely on Cognos to improve performance. Cognos solutions are used by 25 percent of the world's top 250 retailers, including general merchandise, supermarkets, convenience stores, and restaurant chains. Twenty-five percent of the top North American chains use Cognos.

These organizations recognize Cognos for its innovation, vision, ability to execute, and technology leadership in corporate performance management.

### *Completeness of vision*

Cognos has built a holistic, integrated technology framework. In addition to planning, reporting and analysis, and scorecarding, we provide common user portals, common data definitions, and standards-based technologies to simplify your business and IT environment.

### *Zero-footprint*

Cognos' zero-footprint, Web-based platform lets you access information using a browser. It simplifies your environment, while improving user adoption. No plug-ins to install and no end-user complexity translates into a lower cost of ownership and higher customer satisfaction.

### *Leverage existing investments*

Cognos software works with your data and your IT environment, allowing you to leverage your existing infrastructure and applications to increase the value of your investments.

### *Enterprise scale*

Cognos built its technology to handle the data volumes, level of activity, and complex business and IT environments of the Fortune 1000 and other large enterprises. Our technical capabilities streamline administration, support, security, and validation requirements, which reduces costs and risk.

### *Award-winning support*

Cognos supports its integrated performance management capabilities with award-winning Global Customer Services. We consistently top the list for best software support and services innovation with customers and support professionals. Our consultants can design and implement a solution that grows as your organization grows to deliver value for years to come.





## ABOUT COGNOS

Cognos is the world leader in business intelligence and enterprise planning software. Our solutions for corporate performance management let organizations drive performance with planning, budgeting and consolidation, monitor it with scorecarding, and understand it with business intelligence reporting and analysis. Cognos is the only vendor to support all of these key management activities in a complete, integrated solution. Founded in 1969, Cognos now serves more than 23,000 customers in over 135 countries

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