

## IBM Cognos Software Demo Transcript

Cognos Retail Performance Management Solutions are designed to help chains align corporate objectives, financial goals and operating plans to maximize profitability and efficiency.

Cognos planning coordinates plans, budgets and forecasts across your chain so that everyone accountable for business results has visibility into how their role supports the company's strategic initiatives and financial goals.

Performance Blueprints are developed by the Cognos Innovation Center for Performance Management in collaboration with some of the world's largest and most successful chains.

Our retail blueprints represent proven industry-specific best practices in performance management and they provide pre-defined data, process and policy models to help chains speed deployment and accelerate time to value.

On behalf of the Cognos Innovation Center for Performance Management, I'd like to welcome you to this short demonstration on how Cognos planning can help you move to best practices in planning and managing store development initiatives, including new stores, remodels and upgrades.

Specifically, we will be showing you a new set of capabilities introduced by Cognos to help retail chains accelerate the adoption of planning best practices. We call these capabilities the Cognos Performance Blueprints. The Performance Blueprints are predefined data, process and policy models designed to help you improve specific planning, budgeting and forecasting business processes.

A blueprint prepopulates your plan with common operational drivers and attributes, such as sales by square foot and store format types, financial measures like net present value and internal rate of return, and business structures, like your organizational hierarchy and chart of accounts. This dramatically reduces the time required to deploy a new planning process across the organization.

Our Performance Blueprints were developed by the Cognos Innovation Center for Performance Management and retail team, in collaboration with some of the world's largest and most successful chains.

They are designed to help retailers adopt best practices and planning enterprise-wide -- plans that are integrated, developed with the participation of all the right stakeholders, and updated as frequently as needed to capture the most current view of the business.

Best of all, these blueprints are free to existing customers. Customers can apply for free membership to the Innovation Center, and then download the models right from our Web site. It's that easy.

Cognos provides blueprints for industry-specific processes such as store P&L operations planning for developing store level driver-based revenue and expense plans as well as financial processes including strategic financial planning and forecasting, strategic long range planning, expense planning and control, initiative planning and capital project planning.

Blueprints help you reduce time and risk getting new planning implementation and so accelerate the time to results. If you're not yet a customer but are considering Cognos planning, the blueprints will deliver value right out of the box.

This session will focus on a blueprint developed to help retailers manage store development initiatives that require capital expenditures, including new stores, remodels, refurbishments and upgrade projects.

The Store Development Planning Blueprint is designed to allow retailers to define initiatives, create financial plans and apply initiatives to stores. This enables chains to connect silos so that finance, operations, marketing and merchandising are working to a single set of goals, model and forecast returns for store development projects based on internal risk standards, and increase participation, visibility and accountability throughout the enterprise.

We will demonstrate the store development planning blueprints capabilities for defining initiatives, developing financial plans for initiatives by selecting required resources, determining project expenses, forecasting capital expenditures, and applying initiatives to stores or groups of stores by attributes.

Once approved, initiatives are consolidated and integrated into strategic financial plans, budgets and forecasts and metrics can be identified to measure actual performance against the plan.

They are also integrated into store P&L operations plans so that development initiatives and time lines are communicated to the appropriate regional and/or store managers so that they can update operational plans to support initiatives.

With that, I'd like to introduce [Danielle Coughlin], Solution Manager with the Cognos Innovation Center for Performance Management, who will demonstrate the store Development Planning Blueprint.

COUGHLIN: After signing on to the Cognos Information Portal, the first screen I see is the start of my day dashboard. As the retail finance manager or vice president, this dashboard provides a significant amount of information about my retail stores and corporate performance.

The upper right sideshows me a metrics summary of key indicators with highlights and trend indicators. Below that is a chart indicating revenue by area and a comparison to

margin. Areas on the bottom and middle left show reports that are of key importance to me and to my team.

In the upper left are alerts that monitor events within my area of influence and contain links to pertinent portals and reports for taking action on those areas.

Clicking on the top alert gives me more details about it and prompts me to drill down to the details behind this event. Clicking on the word "read" links me to the Store Development Initiatives Dashboard.

The Store Development Initiatives Dashboard provides more detailed information around the performance of my company as it relates to store level initiatives and their effect on product revenue and inventory.

The upper left shows some indicators of how the overall of the organization. I notice that there are some problems around gross profit due to the yellow indicator and downward trend. Additionally, inventory turns and customer activity are both showing red indicators.

I have several drivers that I can manipulate in order to attack these problems, but before applying any of these initiatives, I want to understand what is going on at a more granular level.

The bottom left gives me a drillable chart for the electronics departments sales. I can see that there's a declining revenue trend in this department. I can also see that the electronics department is missing its forecast in all of the product categories except standard TV.

Additionally, the bottom right shows that targets are being missed in inventory turns. I notice on the upper right side that our best performing product category in gross margin is the plasma TV category.

I drill down to more detail on the plasma TV turns to see a more detailed analysis. Clicking on the plasma TV bar in the inventory turns chart allows me to drill into that additional detail. This drill-down confirms that certain products are not performing as well as forecasted, especially within the plasma TV product line. This information is highlighted in red.

As the vice president of finance, I would now like to take action to correct that issue. My company has been testing several different initiatives, such as remodeling stores, implementing in-store home theater programs and building new stores. And I would like to have the store's development business analyst evaluate implementing the home theater preview center initiative.

I will now act as the business analyst and click on the store development planning link to launch the Cognos Store Development Blueprint.

The first screen that the business analyst sees is the workflow associated with the different initiatives under consideration. Clicking on the add home theater preview center takes us to the template to define or update the plan. The template can be viewed either through Internet Explorer, as we're doing here, or through an Excel interface.

You'll notice that the plan is in a tabular format with a flow of left to right organized in multiple tabs. The first tab, set to read only as indicated by the gray background, is an assumption tab that relates to the required return on capital in relation to the perceived risk of the project. This is determined at a corporate level and is used as a driver in the model to calculate net present value.

The Store Attributes tab is a summary of information about each of our retail stores. The project definition is the heart of the blueprint, where I can define the project and select from the population of stores for implementing this initiative.

I can specify the start week and duration per store and advance or delay the project in the revised version. I can specify the risk, and the required return on capital is automatically populated from the assumptions table viewed previously.

I can specify the department that this initiative affects and provide an estimate of the square footage costs. I have the flexibility to enter the revenue impact either as a percentage uplift or as a flat dollar amount.

I can enter the expense impact as a positive number for expenses per week per store for projects that will incur increased expense; or, I can enter the expense impact as a negative for those projects that will save or decrease expenses as a result of the implementation.

The blueprint uses these impacts to look forward six years in calculating net present value, payback periods and total forward looking revenues and expense impacts on the organization.

The Store Selection tab allows me to review the stores that were automatically elected as a result of the inputs from the Project Definition tab. I can override those selections if necessary.

The Resource Cost tab is another read only assumption tab which outlines the annual costs associated with the roles that I will select in the head count requirements tab.

The Headcount Requirements tab is where I assign and define the roles applicable to this initiative. In the Expenditures tab, I define expenses and/or capital expenditures associated with the project. Real-time alerts are included if the purchase or in-service week definition is outside the project dates.

The project expense summary is immediately updated with the headcount and expenses associated with the project and are translated into a monthly view for analysis. This also allows me to link these costs to other Cognos blueprints, such as the expense planning and control or the capital expenditure blueprints.

The Project Summary tab provides results for important metrics around the status of the plan, and gives me immediate visibility into the reality of moving forward with the project.

Now that I am finished with the analysis and input of this initiative, I can submit this plan to the workflow for approval, or save it and work on it at a later time. The workflow status is updated and provides real-time updates to the plan so that reviewers have immediate visibility into the plan.

I can also update the Initiatives tab in the store operations blueprint with this corporate initiative, using Contributor Linking, which will link the most recently saved information from the Store Development Blueprint into the Store Operations Blueprint.

Now that the store development planning has been completed by the business analyst, I will again go back to the vice president of finance role. I'm making the assumption that the home theater program was implemented, and that six months have elapsed.

I can see that the initiative is paying significant dividends in the fact that gross profit is now green, inventory turns are green and trending up, and the customer activity indicator is yellow rather than red and trending up. Revenue is up and inventory turns are performing much better.

In summary, the Store Development Planning Blueprint delivers capabilities to manage capital expenditures for development initiatives, including defining initiatives, developing financial plans, conducting what-if analysis to determine what initiatives to fund...

...applying initiatives to stores or groups of stores, measuring performance of initiatives against plans, and integrating initiatives into financial and store-level plans so operations are aware of projects that impact their stores so they can reforecast as needed.

With linkage to corporate plans as well as scorecards and reports to measure actual costs and project revenues against plans, the blueprint delivers a complete performance management solution to the industry.

The business intelligence capabilities demonstrated with this blueprint were developed by [JCB Partners], a Cognos Platinum Partner and Services Partner of the Year in 2005. Cognos works collaboratively with retailers, analysts and partners with industry expertise like JCB to bring complete performance management solutions to the retail industry.

HOST: Thank you, Danielle. The blueprints accelerate the realization of retail performance management: tools and disciplines that help chains synchronize and coordinate financial and operational planning processes. With these capabilities, executives can quickly see the impact of changes in operational plans on corporate financial projections.

At the same time, operations, finance, marketing, merchandising and functional departments can better manage performance and intelligently allocate resources to meet corporate objectives.

The blueprints also help communicate corporate guidelines during the decision workflow right across the organization down to all those contributing to the plan. Finally, they deliver value out of the box. Our customers can quickly adopt retail industry best practices in planning with reduced risk and faster results.

For more information on retail performance management, visit the Cognos Retail Resource Center at [www.cognos.com/retail](http://www.cognos.com/retail). More information on Performance Blueprints is available at [www.cognos.com/innovationcenter](http://www.cognos.com/innovationcenter).

If you are an existing customer we encourage you to apply for free membership to the Innovation Center. You will then be able to download the blueprints for use with your Cognos planning application.

If you are not a Cognos customer, you'll find application briefs, issue papers and business value guides that describe the value and use of the blueprint models. And you'll find articles by thought leaders and Web seminars with more detail on using the Performance Blueprints.  
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