



Store Operations and Development—Plan for a Better Store-Level Customer Experience

In the highly competitive retail industry, businesses must respond effectively to consumer demand to increase sales. Nowhere is this more critical than at the storefront—the place where all of an organization’s planning and preparation come into play. After the focused hard work of everyone from corporate to the field, it all comes down to the customer shopping experience. Ineffective planning creates a disconnect between store operations and corporate plans for market share, growth, and customer satisfaction. This can result in lower margins, reduced sales, and a less satisfying consumer experience. To help retailers steer a true course and drive better store performance, IBM offers two IBM Cognos Performance Blueprints for business modeling, budgeting, planning, and forecasting: Store Operations (P&L) and Store Development.

An ineffective process

In most retail organizations, planning cycles are long and tedious. What often develops is silo-based planning, where each area (finance, operations, merchandising, marketing) completes its own bottom-up planning. These plans don’t often support strategic initiatives or tie into a single set of financial targets, which results in misalignment between corporate strategy and field execution. Departments, divisions, regions, and channels can also be disconnected; consolidation of plans is a time-consuming and error-prone process. With so much effort spent on process and so little spent on analysis, it’s difficult to keep pace with changing consumer needs, trends, and shifts in the marketplace. Retailers can lose out on potential profits if they are unable to react rapidly to changing conditions and plan for likely outcomes.

“Aside from the obvious productivity improvements to be realized from using Cognos Planning; the real value lies in the alignment, integration and measurement of store level plans and actions with overall company-wide objectives. The ability to track store level initiatives and evaluate their impact upon overall results allows management to dynamically adjust tactics in response to opportunities or threats in the marketplace. This capability goes far beyond even the most ambitious spreadsheet based planning model.”

*~ David A.J. Axson, President of
The Sonax Group and Advisor to the
IBM Cognos Innovation Center for
Performance Management*

Ineffective technology makes things worse

Most planning, budgeting, and forecasting solutions are designed to project annual revenues and expenditures, not provide the frequent insight needed to make strategic decisions or implement company-wide initiatives.

- **Spreadsheets** are slow, disconnected, error-prone, and create islands of financial and planning data where each contributor works independently of colleagues.

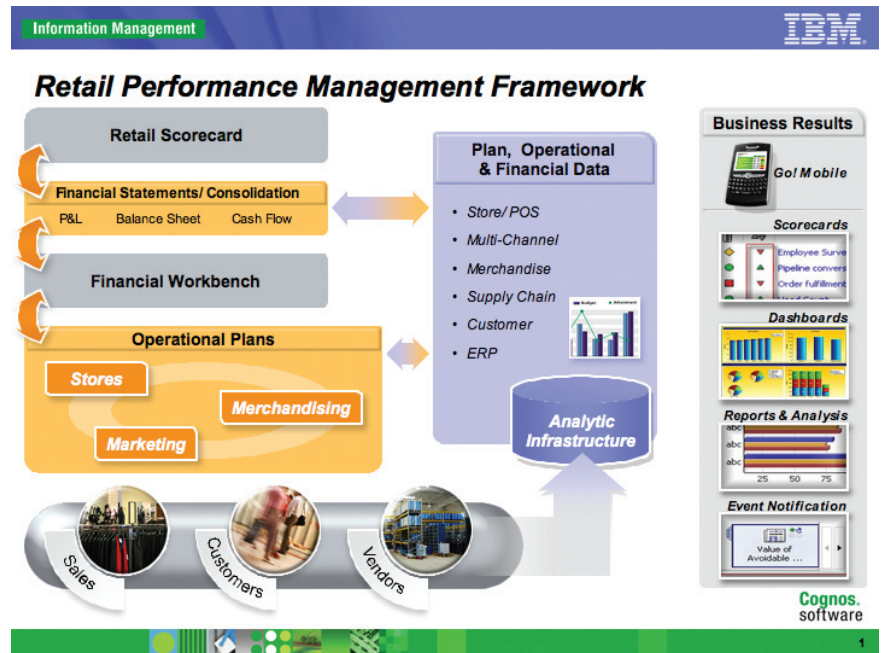
- **ERP or general ledger solutions** are not designed for sophisticated enterprise planning and budgeting.

- **Off-the shelf solutions** may offer broad generic functionality, but they don't address the unique financial management needs of a retail business. For data collection and roll-up, typical solutions can be cumbersome. When you need complex modeling—such as *what-if* scenarios—most ERP, planning and budgeting, and spreadsheet-based systems can grind to a halt.

The IBM Cognos performance management solution

IBM Cognos Performance Blueprints provide a pre-built performance management framework—including planning, metrics, and reporting—that enables retailers to plan for a better store-level customer experience and drive sales and margins. Based on retail-industry best practices, the Blueprints extend the planning process beyond corporate finance to operations, marketing, and merchandising—to manage to a single set of financial objectives and business goals.

IBM Cognos Performance Blueprints combine Cognos enterprise planning and business intelligence solutions. IBM Cognos 8 Planning is a Web-based, high-participation solution for modeling, planning, budgeting, and forecasting. It lets management define the process, models, and content required, and then distribute pre-populated, Web-based templates to data contributors across all company departments.



Contributors supply required information specific to their job area. IBM Cognos 8 Planning helps retailers achieve consistent operating performance through highly collaborative, real-time planning. By integrating with IBM Cognos 8 Business Intelligence capabilities, the Blueprints empower users to publish reports and conduct analyses based on critical information such as past operational effectiveness, development costs, and projected revenue lift.

Using the Web, IBM Cognos 8 Planning collects more information from more people more often. Up-to-date intelligence is available when it's needed, allowing more time for analysis and better-informed decision-making.

Store Operations (P&L)

The IBM Cognos Store Operations (P&L) Planning Blueprint allows retailers to complete store-level revenue and expense planning to ensure that store plans are in line with corporate targets. The Blueprint provides simplified and streamlined planning and forecasting functionality:

- Driver-based planning for key revenue and expense lines enables organizations to identify and manage store attributes—store type, format, size, opening dates—and provide recommended standards for key controllable expenses such as labor and staffing.

- Profile-driven controllable expense and revenue planning lets organizations input standards so expenses such as credit card processing fees are automatically calculated based on sales and company-negotiated costs. Retailers can build in impact on revenues, staffing, and associated expenses for seasonality, based on profiles and history to reduce time spent on calculations and to focus on executing initiatives and improving performance.
- Initiative planning functionality enables retailers to assess and plan for the store-level impact of initiatives such as remodeling, adding new departments, and conducting promotional programs or limited time offers.
- Integrated workflow automatically manages and consolidates plans. It provides a visual scorecard for managers to easily determine the status of the planning process so action can be taken to complete the work. Workflow capabilities facilitate “Voice of the Store” collaboration and accountability throughout the organization, and enable chains to deploy planning at whatever level makes sense (i.e., region, district, or store).

- Exempt and non-exempt headcount position-level planning, along with revenue, store type/size driven headcount planning models based on store profiles and baseline standards.
- *Breakback* automatically prorates revenue, margins, or costs to meet goals simplifies planning updates and identifying impact on key metrics.
- *What-if* modeling enables managers to model the financial impact of business decisions for multiple scenarios to determine the best approach.
- Metrics summarization and linkage to scorecards enables retailers to measure key revenue, margin, and expense performance indicators for operations—by division, region, store, department, and account.

Managers can publish reports and conduct analysis based on information such as store attributes, capital investments in stores, sales, gross margins, item movement, labor cost, controllable expenses, and shopping patterns.

Rapid consolidation of store-level plans reduces planning cycles and allows chains to move to rolling forecasts that better suit the dynamic nature of the retail industry. Timely re-forecasting also enables retailers to adjust to external factors, such as business disruptions, consumer demand, competition, or economic changes.

Store Development

To optimize investments, retail organizations must be able to model and quantify the financial impact of store development initiatives—to determine which projects will deliver the highest business benefits, provide the best return, and support key corporate objectives. Once these initiatives are put in place, retailers must be able to measure performance to determine if they are meeting store development plans and objectives.

The IBM Cognos Store Development Planning Blueprint enables retailers to plan initiatives by selecting required resources, determining project expenses, and forecasting capital expenditures. It lets them model and forecast returns for projects based on internal risk standards as well as value and manage store performance including using risk and return calculations for property divestitures.

More IBM Cognos Performance Blueprints for Retail

IBM Cognos also provides other Performance Blueprints to help retailers align strategy with execution and drive better performance:

- **IBM Cognos Promotion Planning Blueprint.** Empowers managers and executives across the chain to model multiple scenarios, then analyze and evaluate the success of their promotions. This enables more efficient use of company and trade dollars to drive higher returns.
- **IBM Cognos Financial Merchandise Planning Blueprint.** Enables chains to improve top-down, bottom-up planning for merchandise sales, margin, gross profit, and stock by division, channel, department, or category. This helps retail managers and executives meet sales objectives and profitability goals.
- **IBM Cognos Financial Workbench Planning Blueprint.** Uses IBM Cognos 8 Planning and IBM Cognos 8 Business Intelligence to provide integrated planning and analysis of results against plans. This helps retailers meet growth and profitability objectives, while improving customer service and loyalty.

For more information, visit:

<http://www.ibm.com/cognos/solutions/retail>

The Blueprint provides simplified, storewide planning, forecasting, and assessment functionality:

- Financial planning of the revenue impact, ROI, and costs associated with store development projects including: new store construction, remodels, upgrades such as adding fixtures, equipment,

departments, or services, and closing or selling of locations.

- Initiatives can be applied to regions, stores, groups of stores, exceptions, format, or attributes. Allocation of revenue impact to stores is by week or based on a comparative percentage of prior-year revenue.

- Green initiatives can be implemented by testing on selected stores and measuring savings in utilities/energy, ROI results using an Initiative Report Card (which includes measuring expenses from previous year vs. green year and also at expenses for green stores vs. non-green stores), and updating the plan to expand green initiatives to additional stores.
- Chains can do *what-if* analysis for store development scenarios and quickly and easily re-forecast plans. This includes determining how many new stores to open, analysis of green initiatives which stores to remodel and when, what types of upgrade programs to implement, and what stores or facilities may need to be sold or closed. Planners can also model the financial impact of multiple scenarios to determine payback period and net present value.

- Managing and classifying line items as capital purchases or expense items simplifies the planning process by allowing planners to define items and not worry about their financial treatment.
- Integrated workflow drives collaboration and streamlines the approval and monitoring process. Alerts deliver information to stakeholders when stores are impacted by new development initiatives or stores are performing poorly.
- High participation drives accountability and visibility. Store development staff can input or update plans while working on-site or with suppliers and contractors.
- Through scorecards and reports, users can measure and communicate the impact and performance of development projects such as revenue and expenses by store, region, initiative, and type.

Through integration with the IBM Cognos Store Operations (P&L) Blueprint, approved development initiatives and timelines are communicated to the field so managers can plan for operational impact. For example, during a remodel, sales would likely decrease, so staffing can be adjusted accordingly. Store Operations Blueprint integration also ensures corporate P&L and budgets are updated based on initiative results.

Drive performance through planning, analysis, and reporting

IBM Cognos Performance Blueprints use a sophisticated, bi-directional calculation engine to manipulate and analyze data. They use the Web to accelerate and take the pain out of data collection and performance measurement, and make it easier to do what's most important—drive sales and margins. And IBM Cognos Performance Blueprints provide access to powerful reporting and administration tools designed for finance personnel and for all levels of operations.

Planning prerequisites

Scalability. IBM Cognos Performance Blueprints fit retailers of any size or format. The Web-based design and attention to bandwidth economy make for an easy roll-out to marketers, merchants, and buyers throughout the enterprise.

Flexibility. A company shouldn't change its structure to fit an off-the-shelf system. IBM Cognos Performance Blueprints are flexible enough to fit any business. Companies of all sizes use Cognos solutions for planning, business intelligence, scorecards, and dashboards.

Compatibility. IBM Cognos Performance Blueprints capitalize on existing technology investments and extend the value of in-place transactional systems. They also share information with other solutions, such as financials, and readily accommodate future growth.

Web-based planning. IBM Cognos 8 Planning helps companies model, plan, analyze, manage, and control retail resources efficiently and cost-effectively.

Easy data access and manipulation. The centralized database and powerful calculation engine in IBM Cognos 8 Planning are designed to support rigorous analysis, consolidating multiple data sources—including point-of-sale and financial data—into one environment and providing users with the information they need to optimize planning and operations.

Powerful reporting and analysis. IBM Cognos 8 Planning offers visibility to operations and development activities and seamless access to data from multiple sources, facilitating reporting, analysis, and scorecarding to monitor vendor compliance, financial performance, and to improve decision-making.

High IT value. At the back end, IBM Cognos 8 Planning uses common technology standards. At the front end, its network-friendly architecture minimizes network traffic, while its choice of Web or Excel interface means easy deployment and maintenance with minimal end-user training..

About IBM Cognos BI and Performance Management

IBM Cognos business intelligence (BI) and performance management solutions deliver world-leading enterprise planning, consolidation and BI software, support and services to help companies plan, understand and manage financial and operational performance. IBM Cognos solutions bring together technology, analytical applications, best practices, and a broad network of partners to give customers an open, adaptive and complete performance solution. Over 23,000 customers in more than 135 countries around the world choose IBM Cognos solutions.

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