



Measure what matters:
Five reports every retailer needs

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Abstract

Business analytics, reports and measures give retail organizations the tools they need to develop company-wide strategies, put plans into place and track performance against objectives. They can identify patterns, stock the right merchandise, measure performance across channels and connect with customers.

By building intelligence into the system, retailers, manufacturers and suppliers can eliminate inefficiency and waste at every step of the chain.

Introduction

Changes in market conditions and economic uncertainty have forced consumers to make tradeoffs and alter their spending and shopping habits. As a result, more than ever, retailers have to stay on top of trends and better manage their customer relationships, operations and financial performance to maximize profits.

Indeed, the new economy can be an opportunity for retailers to work smarter to deepen relationships with their most loyal and profitable customers and to leapfrog other chains to attract and retain shoppers.

Chains have invested millions in store, merchandising, supply chain and supporting software applications to help them improve performance. This approach has improved efficiencies, centralized data storage and collection, and streamlined key processes.

Yet for the volumes of data they generate, these systems have not delivered what retailers truly need: complete visibility so they can gain insight and make the right decisions – as quickly and frequently as consumers and market conditions change.

Retailers not only need to integrate and analyze their data. They must also extend the planning process to all stakeholders within the organization, so everyone collaborates to articulate goals and track performance across departments, channels and geographies.

Business problems

Your questions

- How to improve store operations, profitability and investment return?
- How to increase marketing effectiveness?
- How to optimize capital investments and operational plans for stores?
- How to uncover complex relationships between products and customers?
- How to align merchandise planning with corporate strategy and customer demand?

Our answer:

With IBM Cognos performance management, retailers can link operations, marketing and merchandising with finance so that all parts of the organization are working together. This strategy allows everyone to manage to a single set of financial goals and business objectives; measure performance; and drive positive outcomes company-wide.

More specifically, IBM recommends five performance management reports to answer the critical business questions.

Through the integration of reporting, analysis and metrics, these insights provide the visibility retailers need to improve operations and meet profitability objectives – while providing the best shopping experience for customers.

Retail organizations can make smart bets to maximize investment, optimize store-level assortment, improve product selection and quantities, and manage to a single set of financial goals. The result can help them achieve sustainable, profitable growth.

The solution

1 Financial workbench dashboard

The financial workbench dashboard allows retailers to integrate operational plans for stores, merchandise and promotions with three key financial statements: P&L, balance sheet and cash flow.

It provides a complete view of the business from both a financial as well as a strategic point of view. It allows management, for example, to compare the current year plan to the actual outcome. They can track results using metrics, across product lines, channels and divisions for a given time period.

The dashboard gives retailers insight into performance, and helps them understand how to better control costs by looking at plans, what-if scenarios and actuals. The financial numbers roll up into a set of high-level KPIs, giving them the tools to more accurately measure business results.

Management can monitor upward or downward financial trends, and drill down into these results to understand why they're happening and take steps to improve performance.



2 Capital investment report

Retail organizations need to know whether they're seeing return on investment for store or facility development initiatives. Using the capital investment report, they can analyze their investments and determine whether they're having a positive impact on performance and costs.

For example, if a chain wants to implement a green initiative at stores to reduce energy costs, management can use the capital investment report to look at upgraded 'green' locations in comparison to their other stores.

In this case, the report allows management to monitor the effectiveness of the capital improvements by looking at changes in utility costs. If the green locations are coming in lower, this shows a positive ROI. Following on this success, the project could be rolled out to more stores for even greater savings.

Green Initiative Report Card										Green Expense	Green ROI	Green ROI2
	First 4 Green Months Utilities	Last 4 Traditional Months Utilities	Utilities Variance	% Change in Utilities	Green Months NOI	Last 4 Traditional Months NOI	NOI Variance	% Change in NOI	Green Expense	\$106,784	699	0.65%
Green Stores										\$106,123	2,638	2.67%
Palm Beach Gardens	\$122,115	\$151,958	(\$29,843)	-19.64%	1,179,977	1,072,494	107,483	10.02%	\$106,784	\$212,907	3,537	
Alpharetta	\$121,991	\$171,018	(\$49,027)	-20.90%	1,139,057	1,030,096	108,961	10.50%	\$106,123	\$212,907	3,537	2.67%
Total Green Stores	\$243,706	\$322,976	(\$79,270)		2,319,034	2,102,590	216,444					
Traditional Stores												
Weston	\$169,150	\$150,213	\$18,937	12.61%	912,383	1,036,723	-124,340	-11.99%				
Auburn	\$174,736	\$169,301	\$5,435	3.22%	927,862	1,084,574	-156,712	-14.45%				
Wellington	\$170,831	\$169,193	\$1,638	0.97%	916,316	990,024	-73,708	-7.49%				
FL Lauderdale	\$171,097	\$169,635	\$1,462	0.85%	948,947	1,020,778	-71,831	-7.80%				
Roca Raton	\$172,103	\$171,519	\$584	0.34%	982,994	1,003,554	-20,560	-2.05%				
Coral Cove	\$165,751	\$165,189	\$562	0.34%	919,087	939,511	-20,424	-2.17%				
Memphis	\$173,755	\$173,786	(\$31)	-0.02%	883,633	1,058,340	-174,707	-16.51%				
Birmingham	\$172,021	\$172,730	(\$709)	-0.41%	932,366	981,409	-49,043	-5.00%				
Boynton Beach	\$168,115	\$168,939	(\$824)	-0.49%	859,211	967,908	-108,697	-11.23%				
Delray Beach	\$169,523	\$170,946	(\$1,423)	-0.83%	934,630	1,045,886	-111,256	-12.31%				
Roseville 1	\$171,274	\$173,097	(\$1,823)	-1.06%	980,011	1,014,466	-34,455	-3.40%				
Montgomery	\$171,628	\$173,827	(\$2,199)	-1.27%	918,809	997,315	-78,506	-7.87%				
Davis	\$170,385	\$173,014	(\$2,629)	-1.52%	896,331	1,017,589	-121,258	-11.95%				
Roseville 2	\$171,474	\$174,711	(\$3,237)	-1.89%	888,545	1,050,338	-161,793	-15.40%				

3 Merchandise planning and analytics report

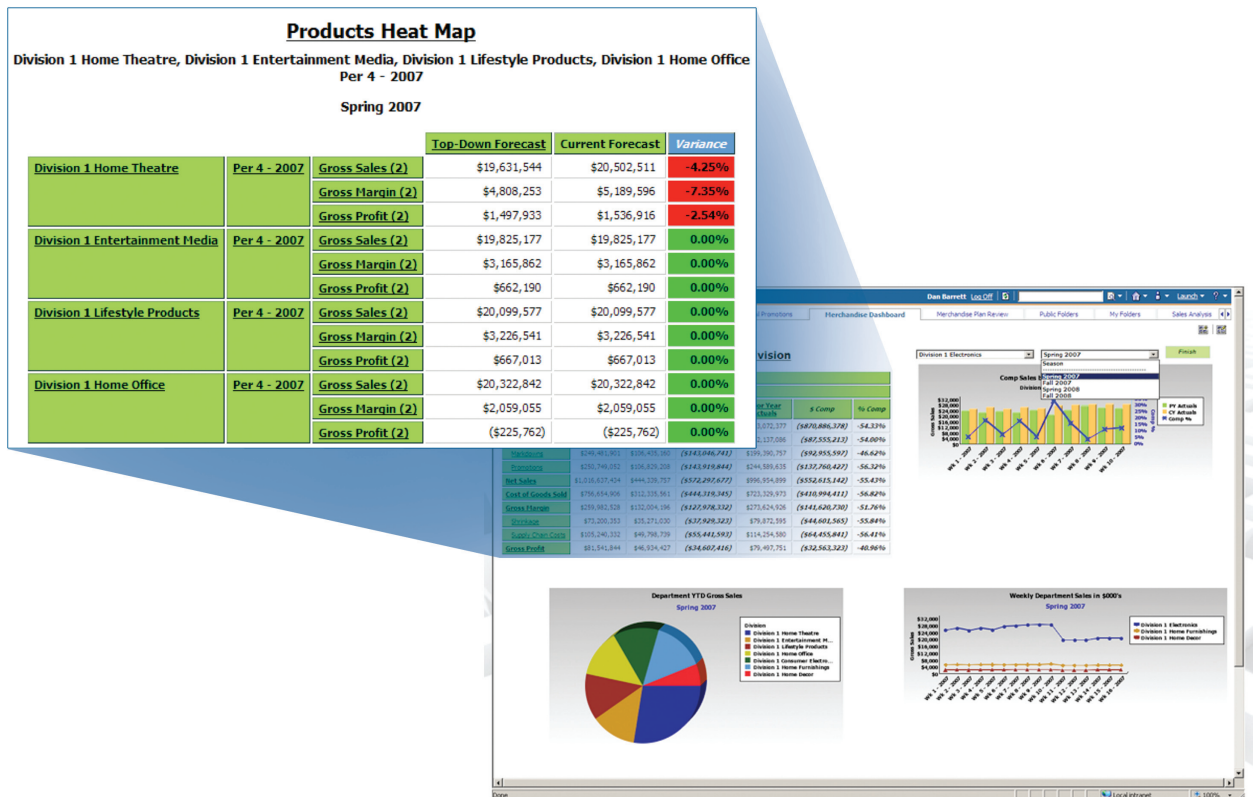
Retailers recognize the need to improve operational efficiencies and cut costs. Smarter chains are also focusing on their customers: understanding what appeals most to their loyal advocates, attracting new shoppers and determining what is important to those looking to shift their loyalties.

A critical area is merchandise and assortment planning. This is always a balancing act. Planning may be needed months in advance to procure stock. At the same time, supplier capacity and customer preferences change all the time. Retailers need the agility to react to these market trends in an instant.

Chains also need the flexibility to introduce new products into their assortment or develop promotional offers to move inventory when needed. They also need to be able to analyze performance down to the item level to see areas that need improvement. They need to, for example, measure against previous year plans, or across similar products or geographies.

The merchandise planning and analytics report offers an in-depth view of performance by product. Using the product heat map, management can analyze the effectiveness of the financial merchandise plan by specific season or time frame.

By comparing forecasted plans and actuals and by looking at year-to-date sales by product line or department, retailers can see whether specific products are meeting financial goals and objectives. This allows them to update the product mix and optimize the merchandise plan – so the right products are in stock at the right place when customers want them.



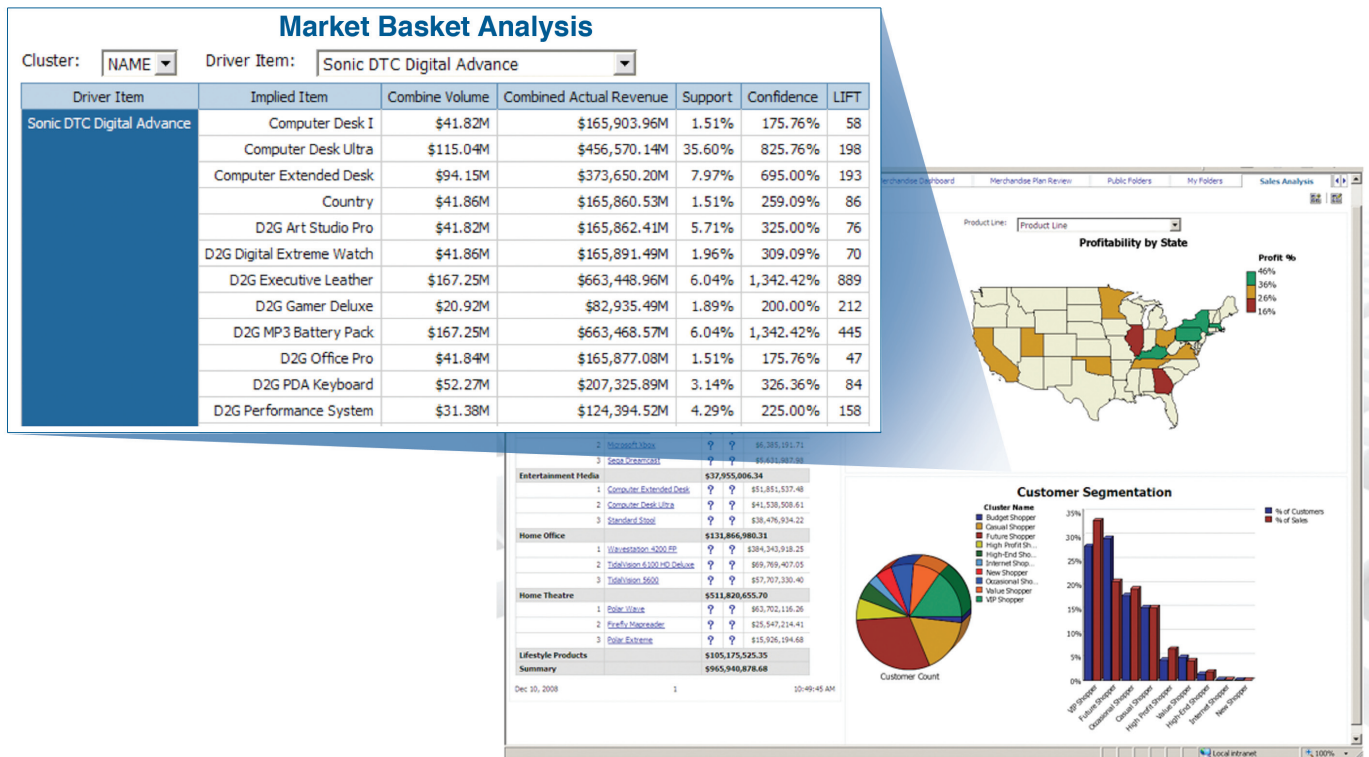
4 Market basket and sequencing analysis report

A sound product mix is essential for merchandising. Retailers want to make smart bets to maximize their investment – the right mix of products must be available at the right time and place.

Conducting market basket and sequencing analysis can help management make more informed, smarter decisions.

These sophisticated retail analytics uncover complex relationships between products and customers in relation to stores, merchandise and promotions. So management finds answers to critical questions: What is driving the typical shopping trip, buying decisions and product affinity? How do different customer segments vary in shopping motivations? How can we increase frequency and basket size?

Chains can use the report statistics and results to create promotional activities that better anticipate customer behavior and improve sales and margins.

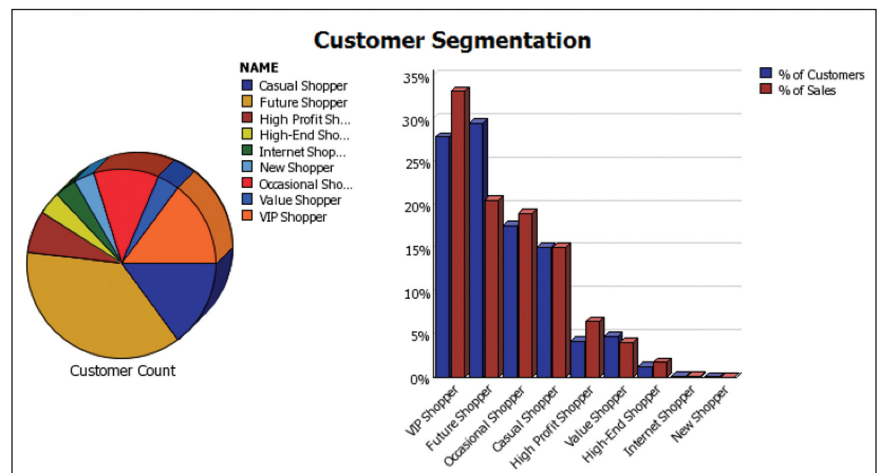


5 Customer profiling report

Understanding consumer needs and ensuring the best shopping experience are critical to growth. Business analytics provides the enabling technology that lets retailers see the big picture, trends and details, so they can make informed decisions and improve the overall shopping experience.

Using the consumer profiling report, management can analyze sales activity to determine how best to work with the customer and what types of offerings to make available. This insight can help them understand what motivates different consumers to shop. This in turn allows them to optimize the product selection and availability that customers want.

Insight into customer behavior and trends ultimately improves sales and increases baskets, and by extension increases loyalty and profits.





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IBM Canada
3755 Riverside Drive
Ottawa, ON, Canada K1G 4K9

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