



**Real-time visibility**  
Optimize your inventory with  
operational intelligence

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## Abstract

### The value of real-time visibility

The business value of real-time visibility into operations is simple: it helps you understand your company's performance. It leads you to take action on recent information. It creates a common context for decision-making across every department and at every level.

Scorecarding, reporting and dashboards are an integral part of performance management. They help you see what's going on in terms of operations and merchandising. Your distribution organization gains the capability, visibility and intelligence to align sales forecasts, demand and supply – the baseline for achieving high levels of customer service and performance.

## Overview

For distribution companies, accurate sales forecasts are critical for matching supply with demand. Yet even the best forecasts can't account for the daily fluctuations in supply and demand caused by internal or external factors. To ensure they make the best decisions on making, shipping and selling products, enterprises need real-time visibility into their inventory.

Such visibility requires more than just mastering logistics. Consumer products companies, wholesalers and retailers have invested millions in ERP systems and supporting applications to help them improve forecasts, supplier performance and inventory. Yet for the volumes of data they generate, these systems have not delivered what operations, merchandising, and marketing managers truly need – complete visibility across their supply chain.

A recent study by the IBM Institute for Business Value points to a new and critical imperative: supply chain intelligence.

“As they reevaluate current supply chain strategies and initiatives, executives should ask: Which investments are simply making processes faster or more efficient? And which go a step further – making the supply chain decidedly more intelligent and resilient in times of unprecedented instability and risk?”<sup>1</sup>

Operational business intelligence provides the capabilities needed to build and manage an efficient, intelligent supply chain. These capabilities provide complete visibility, allowing organizations to optimize the chain so they can see problems before they happen, effectively manage inventory and improve performance.

## Business Problems

### Barriers to achieving inventory visibility

Real-time visibility into inventory is critical for addressing operational supply and demand across the extended supply chain. It's also essential that all merchandising, pricing and related strategies are closely tied to a customer-centric approach.

If a new product line is selling well, management must be able to coordinate quickly with suppliers to ensure there is sufficient inventory to meet customer demand. However, if the product line is selling poorly, they must quickly take steps to avoid large losses from excess inventory.

Yet, as supply chains become bigger and more complex, this level of efficiency and collaboration between trading partners becomes more difficult to achieve.

The biggest challenge is gaining timely access to critical information. Even the simplest supply chain generates a tremendous amount of data: customers, sales, suppliers, purchasing and inventory. All of these have their respective applications and data silos.

This data lets managers assess some aspects of their operations. However, reports are rarely flexible enough to address immediate needs. Nor do they encompass the entire supply chain.

## Business Drivers

### Complete visibility

To address these challenges, retailers need operational business intelligence:

- **Complete.** The solution should integrate all data sources throughout the entire supply and demand chain to deliver a holistic view of inventory. It should also allow users to drill down to identify the source of any problems, and roll up to visualize the effects of any action taken.
- **Continuous.** Critical alerts and inventory status should be delivered continuously to enable intelligent decision-making and action.
- **Accurate.** Smart decisions should be based on data that is accurate and consistent.
- **Optimized.** The solution should leverage existing infrastructure investments without requiring additional data consolidation or integration.

## The Solution

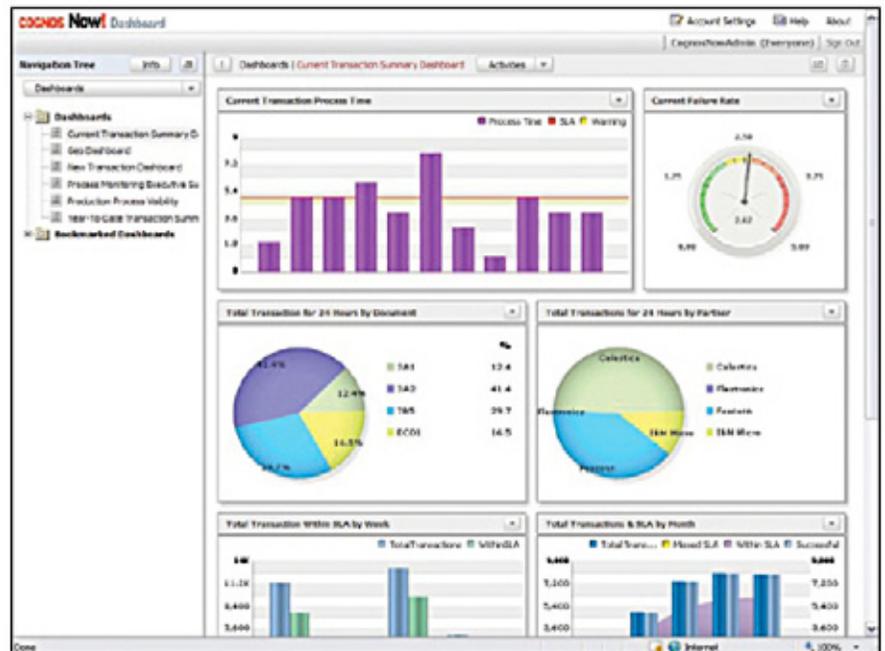
### Introducing IBM Cognos Now!

IBM Cognos Now! is an operational BI solution that provides real-time inventory visibility. The solution delivers data integration; interactive dashboards; robust ad hoc query, reporting and analysis; and built-in task and exception management to support your organization's continuous monitoring agenda.

### Dashboards

Dashboards are real-time, visual snapshots of the supply chain. They provide a high-level overview of KPIs and operational metrics across any number of key areas – including supply chain cycle time, shipment performance, quality and supplier response.

Managers can use dashboards to monitor supplier performance by a specific metric such as on-time delivery. They can also use them to map and monitor a process from start to finish. Results are presented using gauges, maps or other intuitive displays.



Event-driven information

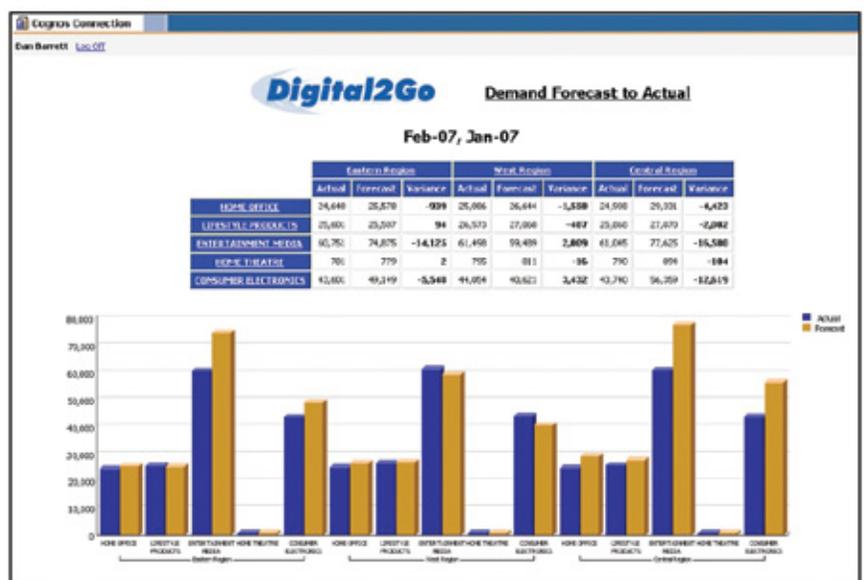
The solution monitors business events and integrates them with contextual content from data warehouses or operational data stores in real-time. As events are streamed into the system, the software delivers real-time updates of what's currently happening, providing a continuous view of critical inventory levels.

It can deliver alerts, metrics and reports into any workflow environment. This includes email, Web services, middleware and custom applications. The alerts can be timed and escalated based on user-defined intervals to optimize monitoring and management.

**Data integration**

IBM Cognos Now! provides a common metadata model that applies consistent business rules, definitions and calculations to the data, regardless of its source or structure. Information can be collected from any of the multiple applications used throughout the business.

This means managers can move confidently across data and applications to find answers without being limited by incompatible data formats or conflicting definitions. Managers spend less time looking for the right information, and spend more time making and acting on fact-based decisions.



Demand analysis

## Real-time visibility

With IBM Cognos software, organizations gain complete visibility into and across their supply and demand chain. Management can identify key metrics, measure performance and receive alerts when performance is off-track and make immediate corrections.

Users monitor not only what inventory has been shipped, but where it is in the channel. They can then decide, for example, to hold back inventory of a new product until sales information indicates the optimal allocation of stock by store or channel.

### *Supply chain inventory management*

- Reduce stock-outs by measuring sales against inventory and shipment data.
  - Upgrade carrier methods for fast-moving products during demand peaks.
- Use an exception-based approach to tracking supplier performance in areas such as missed transit times or compliance requirements.
- Identify trends and variances in supply and distribution systems.
- Track orders in the supply chain.
  - Alert when shipments have missed transit times or are damaged or lost.

### *Demand chain inventory management*

- Monitor in-store orders, shipments and backlog against forecasted demand.
  - Analyze POS information by product SKU, store or region.
  - Alert when sell-through exceeds or doesn't meet forecasted demand.
  - Aggregate distributor inventory levels and sell-through data to monitor inventory consumption and excess inventory levels.
- Introduce new products and monitor sell-through in a test market.
  - If a new product is selling above plan, roll out new products to additional markets.
  - If the product is selling below plan, cancel existing orders. Or establish that poor performance is due to lack of inventory at store level and take corrective action.

- Manage markdowns for short-lifecycle products.
  - If a product is selling above plan, hold or increase the price and order additional inventory.
  - If the product is below plan, lower the price until the inventory is exhausted.
- Monitor promotions.
  - If promotion exceeds plan, notify management to implement promotion in other areas.
  - If it is below plan, notify suppliers or cancel standing orders for more goods.
  - Analyze the impact on related products and brands to understand effects such as cross-selling.
- Trigger replenishment for vendor-managed inventory.
  - Alert when the target number of days of inventory is reached, or when inventory minimum or maximum levels are reached.

## Conclusion

### A complete solution

By building intelligence into their increasingly complex supply chains, retailers can eliminate inefficiency and waste up and down the line. Even more important, they can better serve the consumer, whose need for the right product and high-value individualized service will only grow.

Success depends on the ability to effectively monitor operations in real time. Retailers need automated and continuous visibility into performance metrics and leading indicators to ensure problems are addressed quickly and to optimize the distribution of inventory.

By consolidating essential metrics for supplier performance, product availability, quality, shipping and so on, IBM Cognos software can help management gain insight and take appropriate action.

Retailers gain the visibility and intelligence to align sales forecasts, demand and supply – the baseline for achieving high levels of customer service and performance.



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## About IBM Cognos BI and Performance Management

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An IBM Cognos representative will respond to your enquiry within two business days.

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### Endnotes

- 1 IBM Global Chief Supply Chain Officer Study: The Smarter Supply Chain of the Future, IBM Institute for Business Value, January 2009.