

## Finding Upside in the Downturn: Merchandising Best Practices podcast series Segment: Four of five

Hi, I'm Kelly Allen. What are some of the issues and trends impacting retailers and consumer product groups today? And what strategies can help them stay ahead? Today you're going to listen in as IBM World Wide Distribution Executive, Patricia Waldron, talks to Brian Hume. Brian is president and founder of Martec International, a leading retail consulting and training practice. Here, Brian looks at some of the merchandising challenges around channels, and e-commerce.

Patricia Waldron: So, one more thing I wanted to explore with you is about channels. You read lots about multi-channel retailing and the emergence of multiple channels and e-commerce. Retailers are trying to stitch together these various silos to understand deployments across channels with regard to merchandising and customers. How do you see successful retailers doing that?

Brian Hume: There are a number of things that you can do when you have got a true multi-channel operation that you just can't do when you have got just a pure brick and mortar operation or when you have got an Internet channel or you have got store channels, but they operate in isolation. So, for example, one of the challenges for most retailers with stores is they really know a lot about the products they sell, but their biggest challenge often is they don't know anything about the products they don't sell, because there is no history, there is no sales performance or anything like that and customers don't ask about them, because they don't carry them. Now, very often if you go to the Internet channel, many people carry a wider range on the Internet than they carry in stores and one of the things that you can see on the Internet if you have got your Internet systems designed well, is you can look at what people browse, you can see what they looked at that they didn't actually buy and obviously of course you knew what people bought and you know that in your own stores. What you rarely know is what are people looking at in the store that they were interested in, but they didn't actually purchase it and you don't know anything about what it was that killed their interest. So, as one example in a multi-channel operation if you have got products on the website that you don't carry in the store, you can look at how many people buy those products, you can also look at what people browse that they don't always buy, and then you can feed that knowledge into your store planning process to say "How does that shape out assortment that we carry in the store?" one for instance. Another example is there is a well known English retailer that has a very successful grocery-based web business and they obviously have a very successful store business. One of the things they found was that if they sold product on the website where the orders of sales volume peaked on a Tuesday, Wednesday, they would frequently see that the same products peaked in the store on Thursday, Friday, Saturday and the obvious conclusion being that people that are ordering on the web in order to get home delivery are by necessity ordering further ahead, so that the picking and delivery operation will take place. Now, what they were able to do was they were then able... they were able to pick that information out on the website, go to the store ordering processes and then adjust their store ordering so that the store management team would

build their orders based on their experience in the store this week to date and their experience based on previous weeks and that kind of thing, but with that extra indicator that sales were lifting up on the website, they could, the system could, then take the store by store orders and increase them by let's say 10% or 15% or 20% or whatever based on what website told them so that the stores would have the extra availability so sure enough when the peak came later in the week in the store, they were able to capitalize on that peak. So, that's really an advanced use of the multi-channel capability where you are using website information to really improve your forecasting and ordering in the stores. So, there is a couple of examples of the kind of things that you can do in a true multi-channel environment, of course, people come in the store and you have a product that you carry, but you happen to be out of stock of the size or the color or the flavor or the brand that they want; if you have got that capability in the store, you can order it from the website, you can decide whether you are shipping that to the store for the customer to pick up, whether you are shipping it to the customer's home, and that kind of thing. So, there are quite a lot of fulfillment choices you can do. But some of the more advanced stuff is to say "How do I use knowledge about what happens on the website in order to shape what happens in the store?" and from a business intelligence point of view, structuring your business' intelligence systems to provide that capability is really important.

For more information on how IBM Cognos Software is helping retailers, please visit [ibm.com/cognos/retail](http://ibm.com/cognos/retail). I'm Kelly Allen, thanks for listening.