

Smarter Commerce

Redefining the value chain in the age of the customer

IBM[®]

The Age of the Customer

It all starts with the customer. In business, this has always been true. But today there is a new breed of customer who is dictating a new set of terms in the dynamic between buyers and sellers.

These customers are empowered by technology, transparency, and an abundance of information. They expect to engage with companies when and how they want, through physical, digital and mobile means. They want a consistent experience across all channels. They compare notes. And they can champion a brand or sully a reputation with the click of a mouse.

Nowhere is this shift more visible than in the retail industry, where companies are rapidly adapting to this new reality, integrating their marketing efforts and using analytics to better understand their new, more fickle customers. But retail is only the beginning. It is merely the front line of a customer revolution that will eventually reshape the entire value chain, from the way raw materials are sourced to the way they are manufactured, distributed and serviced. Keeping up with today's customer will take more than an email marketing campaign and a Facebook page. It's going to take a better system of doing business. It's going to take Smarter Commerce.

Smarter Commerce puts the customer at the center of all operations, analyzing critical customer and operational data – from multichannel buying behaviors to social media content – and build business processes that help companies buy, market, sell and service their

products accordingly. It reaches deep within the business-to-business supply chain, integrating business partners, suppliers, and vendors, enabling the entire value chain to anticipate customer needs, not react to them. And it identifies and addresses the unsustainable inefficiencies of our global systems of commerce.

Last year, IBM researchers surveyed more than 500 economists worldwide and estimated that our planet's system of systems carries inefficiencies totaling nearly \$15 trillion, or 28 percent of worldwide GDP. Much of this waste is found in our systems of commerce — in inventory backlogs, failed product launches, wasted materials and ineffective marketing campaigns.

Today's customers have no patience for this kind of waste. They will not remain loyal to products or brands while the cost of inefficiency is passed along to the buyer. And it will not take them long to find the same product or service from a competitor.

But today, no matter where your company sits in the value chain, there are solutions that can create an efficient and seamless system of commerce that stretches from the sourcing of materials all the way through to after-sale services. It is a system that creates value as defined by customers. It is a system that connects and integrates suppliers through powerful collaboration tools. It is a system that turns real-time analytics into actions for your customers. It is a new approach to Commerce.



Smarter Commerce: An Integrated Approach

Smarter Commerce is a unique approach that increases the value companies generate for their customers, partners and shareholders in a rapidly changing digital world.

It is designed to help companies better integrate and more effectively manage their value chain. It includes buy, market, sell and service processes that put the customer at the center of decisions and actions, leading to greater customer loyalty, revenue and profit margin growth, and agility. Smarter Commerce increases customer value, regardless of what or how a company currently sells. It does this by putting the customer at the center of specific business processes such as inventory optimization or reverse logistics. But it also takes a higher level approach, gradually reorienting the entire business model — from how a company approaches innovation to how it designs its operations — based on deep customer and market insights. The four key aspects of Smarter Commerce are as follows:



Value Chain Strategy

From a strategic level, Smarter Commerce informs an organization's approach to its entire value chain. It aligns the business model with customer needs, reorienting everything from internal innovation to supply chain management. It builds an agile business designed to serve ever-changing customers and market conditions.

Core Business Solutions

At a more tactical level, Smarter Commerce offers specific solutions to address various aspects of a company's commerce lifecycle. Each solution not only creates customer value in its own right but also integrates with other Smarter Commerce solutions.

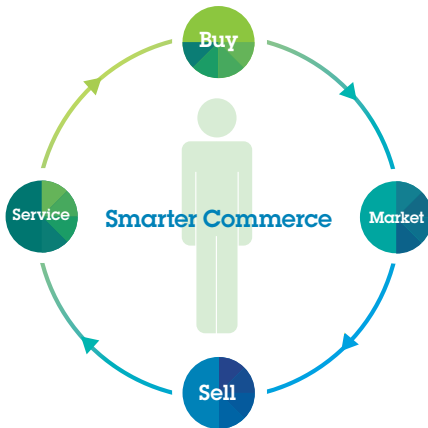
Advanced Analytics

Across the enterprise, the collection and analysis of data continues to keep the focus of any organization on the changing needs of its customers. Analytics extracts insight from sales, store operations, social media, customer loyalty programs and more.

Workload-Optimized Systems

Running an efficient enterprise means running an agile enterprise. Optimizing all systems, integrating operations and automating processes allow organizations to focus on what they do best: serve the customer.





Buy: Smarter Commerce optimizes supplier and partner interactions based on changes in shopping/buying behavior across the supply chain and reconsiders partner roles and relationships to generate new and differentiating customer value. IBM's integrated portfolio of solutions includes Consulting & Services, Software, Advanced Analytics & Infrastructure for the following core business processes: Trading Partner Management; Supplier Management; Supply Chain Management, Supply Chain Visibility & Optimization; Logistics Management; Inventory Management, Procurement Transformation, Supply Chain & Procurement and Business Process Outsourcing.

Market: Smarter Commerce uses customer insight – deep insights about customers – gleaned in large part from the global conversations taking place online – to deliver timely and personalized engagement across multiple touch points. IBM's integrated portfolio of solutions includes Consulting & Services, Software, Advanced Analytics & Infrastructure for the following core business processes: Contact Center Optimization, Channel Transformation, Predictive Analytics and Modeling; Behavioral Segmentation; Cross-channel Campaign Management; Search Optimization, Ad Targeting; Marketing Resource Management, Marketing and Campaign Management Business Process Outsourcing.

Sell: Smarter Commerce enables customers and partners engagement so they can shop, exchange information, and collaborate across all touch points, spanning human, digital, social, and mobile modes of access that are optimized according to their preferences. IBM's integrated portfolio of solutions includes Consulting & Services, Software, Advanced Analytics & Infrastructure for the following core business processes: Channel Transformation, B2B and B2C Cross-channel Commerce, Distributed Order Orchestration, Fulfillment, Logistics, Supply Chain Optimization, Mobile Commerce, Retail Store, Multi-channel and Contact Center Outsourcing.

Service: Smarter commerce enables flawless customer service across all customer interactions and anticipates their behavior and takes action to keep them loyal. IBM's integrated portfolio of solutions includes Consulting & Services, Software, Advanced Analytics & Infrastructure for the following core business processes: Delivery and Service Scheduling; Returns Management, After-sales support, Customer Self-service Enablement, Reverse Logistics, Case Management, Contact Center optimization, Channel Transformation, Customer Contact Center Outsourcing.



Buy

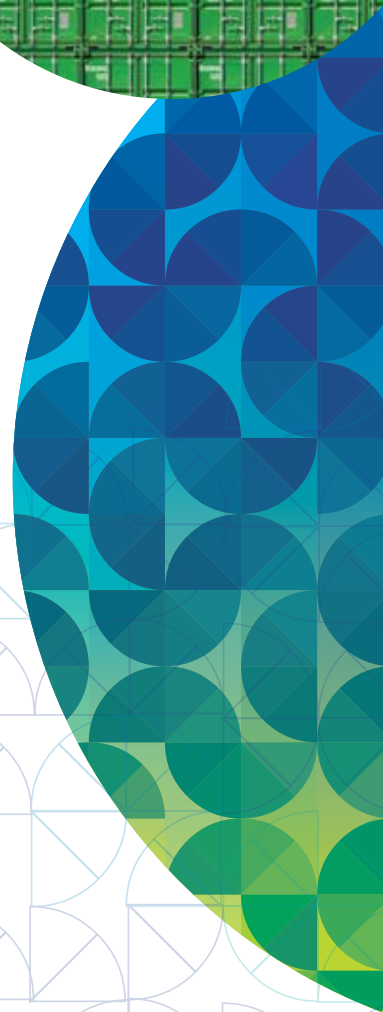
True Value

True Value is one of the world's largest retailer-owned hardware cooperatives, serving 54 countries with more than 5,000 stores and 12 regional distribution centers. They source merchandise from domestic and international suppliers. Logistically, they process 64,000 domestic inbound loads and over 600 million pounds of freight annually. Internationally, True Value imports 3,500 containers annually through 30 international ports and 10 domestic ports, using 5 ocean carriers. This complexity was costing them money and having a negative impact on customer service, as they were not always able to get the right product to the right place at the right time. So the company implemented a supply-chain visibility solution that integrated data across their entire trading partner network. The solution contributed to a 57 percent reduction in lead time, a 10 percent increase in fill rate and an 85 percent reduction in back orders.

Market

L'Occitane en Provence

L'Occitane is an international manufacturer and retailer of skin care, body care, hair care, and fragrance. Its products are sold in over 85 countries around the world, through a wide network of boutiques and strategic partners. The company has also been using online and email marketing for years to help build excitement about new products and drive orders. Recently, however, marketers within the company noticed a decline in customer engagement through email. So the company began using behavioral Web analytics to segment its customers and deliver more targeted solutions to them based on product affinities. The personalization efforts were a huge success: email open rates increased from 26.1 percent to 43.1 percent; conversion rates improved from .14 percent to 2.43 percent; and revenue per email increased 2,500 percent.



Sell

The North Face

This high-end maker of outdoor apparel, equipment and footwear has been defining the spirit of exploring the outdoors since its founding more than 40 years ago. But its challenge was to translate the outdoor experience to a Web site that would be compelling and engaging for its customers. In particular, the company wanted to be able to feature imagery, content and social media that would not only convey the right brand messages to its customer base, but also translate into sales. Its solution enabled new brand content to be woven seamlessly throughout the site, amidst dramatic and inspiring images of athletes in action. It also included social media features like ratings, reviews, video and RSS feeds. And it improved customer service by offering multichannel integration and a pickup-in-store feature. The site is helping the company support more than a million page views a day, control its Web content without help from IT, and increase the average order size through up-selling and cross-selling.

Service

Hertz

As the world's largest airport car rental brand with more than 8,300 locations in 146 countries, Hertz continually receives feedback from customers. But in the past, Hertz location managers read each customer comment submitted online via email or by phone and then manually categorized it for basic reporting and analysis. This approach proved to be labor-intensive and inconsistent, as comments were categorized based on a manager's personal interpretation. Today, Hertz uses analytics software together with a sentiment-based tagging solution to build a "Voice of the Customer" analytics system that automatically captures customer experiences in real-time, transforming the information into actionable intelligence. Using a series of linguistic rules, Hertz's system categorizes comments received via email and online with descriptive terms such as Vehicle Cleanliness, Staff Courtesy, and Mechanical Issues. The system also flags customers who request a callback from a manager or those who mention #1 Club Gold, Hertz's customer loyalty program. The feedback is then analyzed so rapid problem solving solutions can be deployed. The solution has almost doubled the accuracy and speed of the tagging and analyzing process, setting the stage for more reliable analytics. Free from manually tagging comments, Hertz field managers can now focus attention on performing deep-dive analysis on the information, quickly identifying trends or issues and adjusting operational service levels accordingly.



Getting Started

Commerce is complex. The system of transactions required to bring a single new product to market can touch dozens of countries and hundreds of suppliers.

That's why it's important to work with a business partner with deep knowledge of more than 20 industries, a presence in more than 170 countries, and technology expertise that aligns with every step of buying, marketing, selling and servicing.

For 100 years, IBM has been in the business of business. Our products and services are designed to make the world work better. And the systems of commerce from streamlining supply chain operations to mining customer data – are our stock-in-trade. We offer an integrated set of technology solutions and have recently invested \$2.5 billion to deepen and broaden that portfolio. We have world-class expertise in business and web analytics, business process optimization, and cross-channel selling and fulfillment. And no matter how far along your company is, IBM can help enhance, extend or redesign your operations around the customer, taking you from business as usual to Smarter Commerce.



To find out if your organization is practicing Smarter Commerce, start by asking some critical questions in three key areas of your business:

Value Chain Strategy

How has your business model changed to take advantage of digitization across the value chain?

How are customer needs driving alignment between strategy, sales, marketing and operations?

Customer Insight

How confident are you in the quality of the customer data that you use today?

How does your organization use customer data to drive business decisions?

Customer and Partner Engagement

How consistent and compelling is your customer experience across channels?

How quickly can your value chain anticipate and respond to changes in market demand?

If the answers to any of these questions show room for improvement, it may be time to call IBM.

IBM brings a wealth of experience, leading solutions and platforms to drive smarter commerce for your business. We maximize your investment by offering our solutions in a modular approach to address your key challenges today and into the future, with a full spectrum of strategy and implementation services, superior technical support and comprehensive educational offerings to ensure your success.

Recent analyst reports ranked IBM and our solutions as a leader.

- **A Leader in marketing**¹ – delivers targeted and personalized campaigns providing a single view of the customer across all interaction channels
- **A Leader in e-Commerce**² – delivers a brand and shopping experience with the ability to extract actionable insight that extends to social networking and 3rd party websites
- **A Leader in Order Hubs**³ – from placing an order, viewing an order status, changing an order, initiating a return, and completing payment with consistency across all channels for the end-to-end ordering processes
- **A Leader in B2B Integration Services and Managed File Transfer**⁴ – expansive B2B trading partner network including community development and management services for all your trading partners with comprehensive secure file transfer capabilities for commerce exchange across the extended value chain

To learn more about Smarter Commerce, visit ibm.com/smarterplanet/commerce

¹ Unica: A Leader Gartner Magic Quadrant: Marketing Resource Management, February 2011 MQ.

¹ Unica: A Leader Gartner Magic Quadrant: CRM Multi-Channel Campaign Management, May 13, 2010

² IBM: A Leader The Forrester Wave™: B2C eCommerce Platforms, Q4 2010, Forrester Research, Inc.

³ Sterling Commerce: A Leader The Forrester Wave™: Order Management Hubs, Q3 2010, Forrester Research, Inc., August 19, 2010.

⁴ IBM: A Leader The Forrester Wave™: Comprehensive Integration Solutions, Q4 2010, Forrester Research, Inc.

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