

IBM Global Retail Industry

IBM

*Retail: the way forward*

*e-inventing retail*



# Choose the right direction

**Today's customers are smarter. They are more demanding. They live in a digital world, quickly and fearlessly adopting new technologies and driving the new economy. The strategic challenge retailers face is how best to harness information technology to thrive in the consumer-driven age.**

In the age of the Internet, everything in retail is changing. What consumers can buy and where they can buy it. When they can buy and who they can buy it from. With an overwhelming number of options, consumers will buy exactly what they want, anywhere they choose to shop. Loyalty is a daily battle, won by retailers that understand, anticipate, promote and deliver.

For retailers, coping with high-velocity change is a business imperative. Competition for consumer attention is fierce, dynamic and unconventional. New players bring unique business models, traditional players are expanding their formats, and the largest companies are growing by acquisition.

Clearly, there are strategies that work. Leading retailers are growing sales by taking proven concepts into new global markets, diversifying into new segments and services, and launching new sales channels. They are collaborating with business partners to improve supply chain efficiency and focus on the customer. And they are exploiting their knowledge of customers and markets to drive innovations in marketing, merchandising, product development and service.

Growing your business among sophisticated consumers in a chaotic marketplace means more than moving to the Web. It means taking advantage of technology across every facet of your business to create value for customers and your company. To be successful, you need a long-term IT partner. One with decades of retail experience. One with solutions that deliver under the rigors of 24x7 operations. One with the resources and expertise to bring it all together.

IBM is the only partner that can bring it all together and make it work. As an e-business pioneer, we have an unmatched portfolio of proven solutions, plus unparalleled ability to integrate solutions on a global scale to sell anywhere, build customer loyalty and streamline your operations.



### **Selling at the speed of light: the retail e-business**

The Internet is not just increasing the speed and complexity of retailing – it is transforming the business model. This shift creates opportunities for tremendous gain or loss. To win, retailers need an IT framework that collects intimate customer knowledge across multiple channels and enables a flexible, high-velocity supply chain.

At IBM, we have a proven roadmap for helping retailers win. It involves four steps for continuous improvement:

- TRANSFORM core business processes
- BUILD new applications
- RUN a scalable, available, safe environment
- LEVERAGE knowledge and information.

By following this strategic vision, retailers can:

*Sell Anywhere.* Serve customers anywhere they choose to shop, providing a consistent, personalized shopping experience that increases customer and market knowledge with every contact.

*Build Loyalty.* Use knowledge of customers throughout the enterprise and across the supply chain, anticipating wants and needs and driving customer satisfaction to new heights.

*Streamline Operations.* Increase efficiency through a Web-enabled operations environment, improving speed and flexibility across the enterprise and throughout the supply chain.

### **Remote shopping with Safeway UK**

Safeway – one of the U.K.'s big five supermarket chains – launched its Easi-Order program in February 1999 at its Basingstoke store southwest of London. The store equipped 200 of its best customers with PalmPilots, each with its own scanner. Shoppers use the scanner to order specific products. They can also download a shopping list based on previous purchases made with their Safeway loyalty cards. Once selected, the final list is transmitted to the store, where the items are assembled for customers to collect at a scheduled time. Developed at the IBM Thomas J. Watson Research Center in Hawthorne, New York, Easi-Order employs Java applications, Web browser technology and IBM's Intelligent Data Miner to create personalized, targeted promotions.

# Master multiple channels

**Where do customers buy products? In the physical store. And on the Internet. And through catalogs and kiosks. And by phone, fax and e-mail. While technology gets smarter and smaller, the list continues to grow. As each new channel appears, retailers will face more intense competition and greater complexity – plus unprecedented opportunities to win.**

Providing a seamless shopping experience across multiple channels is a must. Channels need to be integrated, not isolated. Leveraging your current market position is critical. And integrating new enabling technologies within your IT environment is key. This is the way forward.

## **Sell Anywhere**

Enable multichannel retailing. Customers should be able to shop through the channel of their choice, whether it's the store, the Web, kiosks, phone, fax, e-mail or catalogs. They are savvy, connected and demanding – and they expect the same level of service anywhere they choose to shop.

Enhance the total store experience. The store itself must adapt to the multichannel world, too. In-store kiosks can provide a direct link to your online store, or to inventory available at other locations. Customers should have the option to pay for online or catalog purchases while in the store. The point-of-sale should become a point of outstanding service, featuring Web access, targeted consumer messages and other customer service applications.



## **Build Loyalty**

*Know your customer base.* The more retailers understand about customers and their preferences, the better they can target and segment marketing plans. This not only reduces the cost of getting the right message to the right customer, it increases customer confidence in your ability to provide exactly what they want, exactly when they want it.

*Protect and strengthen brand loyalty.* Distributed across many channels, retail brands can easily become diluted and damaged. To prevent this from happening, each new sales channel must be aligned with core business strategies and one view of the customer. This way, consumers associate your brand with a consistent mix of products, services, values and innovations – whether they have been a customer for 10 years or 10 minutes.

## **Streamline Operations**

*Integrate systems on an enterprisewide scale.* Store operations, supply chain partners and marketing can no longer work independently. Information from every node in the network must flow to a central location so retailers have an accurate picture of the business and can make profitable decisions quickly.

*Share knowledge.* By forming marketing alliances with business partners, retailers can broaden product offerings to meet specific customers' needs. This move from 'product push' to 'customer pull' requires information sharing throughout the enterprise and across the supply chain, within an architecture that supports 24x7 operations in a secure environment.

## **Web retailing with REI**

To deliver on the "any product, anytime, any place and answer any question" promise, Recreational Equipment, Inc. (REI) adopted IBM's Net.Commerce and DB2 Universal Database solutions to power REI.com (the Internet's largest store for outdoor gear), as well as REI-Outlet.com and JapanREI.com. These solutions have dramatically increased REI's capability for creative merchandising and the business results have been phenomenal. Increased revenue and profit have been directly attributed to new Web channels.

## **Kiosk sales with Lawson**

In Japan, IBM has developed interactive kiosks for Lawson, a large chain of convenience stores. The kiosks broaden the merchandise offered in the store, allowing customers to download new versions of computer games directly to reusable cartridges, and helping shoppers order tickets and other items that they can pick up later or have home-delivered. Since adopting the kiosks, Lawson stores have increased both sales and customer satisfaction.

# Drive loyalty

## **Developing and strengthening customer relationships:**

### **Mining your most profitable resource**

Meeting customer needs across multiple channels is challenging, but the ultimate reward is customer loyalty – a scarce commodity in today's market. Loyal customers are not only more profitable, they are less expensive to retain than new customers. And they are much more likely to provide information about themselves and their preferences. It is this information that fuels customer relationship management (CRM) – the new paradigm for decision-making in retail.

True CRM involves identifying individual shoppers, not just sending them personalized letters and offers. The goal is to differentiate profitable long-term customers from 'bargain hunters' who capitalize on cut-price offers but add little to bottom-line profitability. Successful CRM means understanding each individual's specific requirements and constantly communicating directly with them to maximize selling opportunities.

This knowledge should not reside solely in marketing to improve direct mail and other strategies. It needs to permeate the organization to improve merchandise planning and allocation, so that shoppers have immediate access to the goods they want at the time that suits them, through the buying channel they prefer.

IBM's e-business Retail CRM combines powerful deep computing with customer loyalty, relationship management and business intelligence. We integrate multichannel retailing with a customized IBM solution called the retail CRM Foundation, and we provide the skills and methodology to pull it all together.



#### **Customer loyalty with Boots the Chemists**

Boots the Chemists, a U.K. pharmacy, beauty and gift chain, launched a loyalty program in 1997, issuing more than 10 million smart cards. The company attributed a 4% sales increase to the program, but wanted to get even more business value out of the information. So, Boots turned to IBM to establish an enterprise data warehouse. IBM built a customer analysis system and campaign management application running on an IBM RS/6000 SP and a DB2 Universal Database system. After 18 months of operation, the company has accumulated more than 1.2 terabytes of customer and transaction data.

#### **Store planning with Sears**

Sears and Roebuck needed a way to plan the merchandise needs for individual stores with unique customer profiles and very different product requirements. Put another way – this is a plan for each of 9,000 classes of merchandise from knits to batteries for each of 845 full-line stores. IBM's Makoro for Merchandise Planning System offered the ideal solution. Sears will roll out this solution to their store planners over the next year, enabling them to forecast merchandise mixes more effectively at the store level, catering to local preferences and demographics. Sears expects the IBM solution to increase sales and profits, and result in fewer markdowns since inventory will match local needs more closely.

# Keep pace with technology

## **Every pathway must lead to the sale: Integrated information and universal access**

Integrating enterprisewide business processes – with an architecture that guarantees 24x7 operation – builds speed and flexibility into the retail operation. This is the prerequisite for meeting the requirements of a multichannel retail world.

Innovations in IT are helping retailers improve speed, efficiency and time-to-market from the supply side as well. For many retailers, enterprise resource planning (ERP) systems are the answer. These systems route critical operational performance and profitability data to management planning, human resources and financial applications within an ever-shortening timeframe, so decision-makers have access to up-to-the-second business data. Today, ERP systems are being extended to support retail applications, such as merchandising, demand forecasting and customer relationship management.

Not all retailers use the same operational model. Effectively implementing ERP requires a deep understanding of the specific needs of the business – and then selecting the right solutions to address those needs on a global scale. To this end, IBM works directly with ERP players to ease the transition and integrate established retail solutions, like the IBM Makoro suite, into the new ERP model.

IBM gained a wealth of experience working with retailers from around the world and across multiple industries, as well as our own internal ERP implementation. We have developed a unique integrated roadmap, “method blue,” covering the entire ERP project from the business case to full development.

With ‘method blue’ and new partnerships with top ERP vendors, IBM can help tomorrow’s retail e-businesses implement this comprehensive model to improve efficiency and flexibility while reducing costs.

## **Transform it, build it, make it work: Creating a stable foundation for next-generation technology**

For all the benefits e-business can provide, it will not deliver the right results unless it is supported with a reliable, adaptable IT infrastructure.

Retailers must be able to distribute information throughout the enterprise and across channels quickly and easily – without worries about bottlenecks or downtime. Plus, the infrastructure should be easily expanded to accommodate higher data traffic levels, more stores, new channels and business partners.

That is why IBM devotes so much time and energy to developing scalable, resilient network infrastructure and integration enablement solutions. It is why IBM provides the broadest range of retail-hardened technology, from high-availability servers to industry-leading networking software tools. And it is why IBM focuses on customizing network configurations around your particular set of business needs.

We also bring people who know technology and live in the retail world. IBM Global Services builds on IBM’s core strengths: a global presence to support you wherever you need to operate; a long tradition of exploiting IT to solve customers’ business problems; and an in-depth knowledge of the customers we serve. These factors have combined to make our global service offering the most versatile and comprehensive source of IT service in the world.



**On the intranet with ASDA**

"We're always up against the problem of getting the right information to the right people," says Paul Baxter, head of communications for ASDA, the third largest supermarket chain in the U.K. "So we looked at a pilot intranet project as a more reliable means of distributing information widely to desktops and laptops around the organization." One of the first developments was an online publishing system for merchandising briefs, allowing stores access from the corporate Web site. Since then a series of 'Green Pages' has been added, providing corporate directories, in-house telephone books, site information, maps and store details on the same intranet.



# Take the next step

## **Driving internal growth with help from outside**

With more than 120,000 people in 164 countries, IBM has the right people with the right skills for whatever you need – from Web site development to state-of-the-art data warehousing to supply chain consultancy to business process reengineering to full-scope outsourcing. And our capabilities go far beyond the old concept of maintaining a corporate data center or offering bureau-style service. Today, outsourcing can be linked to process reengineering, enabling earlier benefits from ERP implementations, new Web sites, or store systems replacement. A growing list of companies such as Dayton Hudson in North America and Galleries Lafayette in France are improving efficiencies by outsourcing through IBM.

## **You want to get there faster**

### **Get there first with IBM**

New competition is coming from every direction – from global mega-stores to Web-based entrepreneurs to traditional retailers expanding their formats.

Regardless of the source, competition in the age of e-business is intense and unpredictable. But retailers that are winning in this environment have one thing in common: the desire to innovate and adapt. That means exploring the right channel mix, seeking customer knowledge and integrating the retail enterprise with an efficient supply chain. In short, to become a successful e-business, retailers need a dynamic new business model.

IBM can provide the roadmap, the proven retail solutions, and the invaluable experience of working with leading retailers to leverage the power of technology for more than 25 years. We have an exciting vision for what the future holds and how retailers will continue to thrive in the face of massive, unprecedented change. To share our vision, contact your local IBM representative today.





**Find out more today.**

**To learn more about IBM e-commerce solutions for retail, please contact your IBM representative or call 1 800 IBM-CALL (1 800 426-2255) or 770 863-1000 outside the U.S. and Canada. Or you may visit us at [www.ibm.com/solutions/retail](http://www.ibm.com/solutions/retail)**

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