

Galleries Lafayette

TECHNOLOGY FOR CHANGE



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Technology for Change

- What is the double challenge for the retail industry, today ?
- What are the main issues to build competitive advantages ?
- What are the priorities for cooperation and alliances ?

I. The double challenge for the Retail Industry

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- The third revolution in world trade
- A new balance

I.1. The third revolution in world trade

Dates	Communication technology	Management technology	Dominating format
End XIX century	Railway	Fixed price	Department stores
Mid XX century	Automobile	Advanced check out	Self-service Hypermarkets
End XX century	Internet	CRM + supply chain	?

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I.2. A new balance

- Each revolution leads to a new type of commerce which is the expression of a new balance
- This balance is the result of the alliance between two universes:
 - Department stores: alliance between retail and industrial revolution
 - Hypermarkets: alliance between the "village" and the world, between "port" trading and "community" trading

I.2. A new balance

- Today, the winning format is the one which will ensure the alliance between real commerce ("brick and mortar") and virtual commerce ("click and mortar")

- Lots of questions arise from this alliance:
 - Brands, pricing, assortment, supply chain, ...

- But Retail and Distribution companies should decide on the most important question:
 - What are the major competitive advantages for "e-tailers", and how do we make them concrete?

II. Strategic issues for information systems in Retail

Strategic issues for information systems in Retail

- Electronic commerce pushes two boundaries:
 - The number of customers, almost limitless
 - The depth and the breadth of the offering, almost limitless
- In both cases, it isn't a matter of size, but of a much deeper transformation:
 - A change in the marketing relationship with customers
 - A change in the speed of inventory turns
- Priorities are not obvious. There are two major questions:
 - **Customer** Relationship Management or "**By-Customer**" Relationship Management ?
 - Supply chain or Demand chain ?

II.1. CRM or B-CRM ?

- Retail is evolving toward multi-channel, multimedia:
 - Stores
 - Call-centers
 - Internet

- Tools are needed to integrate and manage this. This is the head of the Customer Relationship Management problem.

II.1. CRM or B-CRM ?

- Before structuring those tools, we must look at what is valuable in e-commerce, from a marketing standpoint
- And what is valuable is added value **intermediation.**
- Rather than helping the producer or the retailer **to sell**, it's about helping the customer **to buy**

II.1. CRM or B-CRM ?

→ This new balance can be found in numerous electronic commerce success stories:

- Dell
- Charles Schwab
- Autobytel
- Insweb
- ...

II.1. CRM or B-CRM ?

- Building a B-CRM information system assumes that the customer typologies are combined:
- typology by buying habits (primary store, secondary store, ..)
 - typology by media used (Internet only, store only, mixed, ...)
 - typology by "one-to-one" relationship nature and objective

II.1. CRM or B-CRM ?

- This third typology must be pragmatic, but should be built on the conceptual distinction between individualization and customization

- Leading to this kind of segmentation:
 - Purely anonymous customers
 - Anonymous customers who may use personalized services once in a while
 - Customers willing to access to their information, at their own initiative
 - Customers wanting a fully individualized relationship

II.1. CRM or B-CRM ?

- This kind of approach allows full customer management. But it is dependent on what information technology can provide:
- Consistent tools in stores, call-centers and Internet.
 - Networking and real time update.
 - Reliable management of customer segmentation and complete management of security and privacy.

II.2. Supply Chain or Demand Chain ?

- For years, information technologies have enabled more efficient relationships between:
 - Retailers.
 - Suppliers.
 - Carriers and logistic partners

- The tools which are used in these new relationships are Supply Chain Management tools.

II.2. Supply Chain or Demand Chain ?

- Important benefits have already been brought by this new approach to the supply chain...
- But electronic commerce development is setting a new pace: ever-faster inventory turns!

II.2. Supply Chain or Demand Chain ?

Retail type	Sorts of goods (examples)	Turns
Shops	Textile, home equipment	2
Department stores	Textile, home equipment, leisure,	3/4
Specialty	Sports, leisure, textile	7/8
Hypermarkets	Food, general merchandise	10
Superstores	Food, general merchandise	20
e-Retailing	I.T.	50
Infomediaries	Services	Infinite

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II.2. Supply Chain or Demand Chain ?

- Real commerce should aim for much higher inventory turns
- It should stop limiting itself to the traditional discussion with suppliers (e.g. ECR with the CPG suppliers)
- It should fit into the scheme of Demand Chain management in two new areas:
 - services
 - "light" industries

II.2. Supply Chain or Demand Chain ?

- What is at stake? Real commerce can challenge the virtual commerce in services:
 - Leisure, trips.
 - Financial services.
 - Telecommunications.
 - Automobile.
 - Housing.
 - Health.

- These areas are more than 50% of household spending.

- How they are sold is being totally transformed.

II.2. Supply Chain or Demand Chain ?

- Now we must create competitive advantages via reactive networks in segments such as:
 - Furniture.
 - Clothing.
 - Shoes.
 - Personal accessories.
 - Interior design.

- Those segments are the traditional domain where Retail is dominant. Changes here will yield a winning strategy on the Internet.

II.2. Supply Chain or Demand Chain ?

- We must then achieve major progress in the relationship with CPG suppliers.
- We should jointly evolve from EDI processes toward full B-to-B e.Business.

III. Priorities for cooperation and alliances

III. Priorities for alliances and cooperation

- The strategic alliance between IBM & Galeries Lafayette
- A larger technology initiative for the global Retail Industry?

III.1. The strategic alliance between IBM & Galeries Lafayette

- Began in July 1999 to bring together the world of technology and the world of commerce.
- Signed between IBM and LaSer, the IT and services branch of Galeries Lafayette, the alliance is for 15 years.
- It includes three important aspects:
 - develop common initiatives in electronic commerce.
 - build a service company specializing in retail: LaSer Informatique.
 - implement an outsourcing process, managed by IBM Global Services, to support LaSer Informatique development.

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→ Common initiatives in electronic commerce

- A specific branch of LaSer, e-LaSer, has been built for this activity.
- Its mission is to grow in Europe with three objectives:
 - Build a center of technological expertise in CRM and the Internet.
 - Develop added value intermediation services, complementary to retail activities.
 - Strengthen the strategic position of Galeries Lafayette group and the other partners of LaSer (20% of french retail, activity in 7 European countries) in front of the electronic commerce development.
- The alliance with IBM is non-exclusive but will lead to numerous common initiatives.

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→ A service company specializing in retail

- LaSer used to have a dedicated subsidiary, Mag Info, acting as the internal IS department for Galeries Lafayette, with emerging outside activity.
- The strategic choice has been made to transform it and develop it on a European scale. Beyond Internet, the idea is that information technologies have become strategic, that the IT market in Retail is growing fast, and that a specialized SSO, speaking the retailers language, will be a competitive advantage.
- The new company is LaSer Informatique, built with IBM assistance on methodology, technology, and sales. Common development plans have been made in Store Operations, extended ERPs (XRP), Supply Chain, BI/ CRM, outsourcing.

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- An outsourcing process, managed by IBM Global Services, to support LaSer Informatique development
- The internal teams who used to manage IT for Galeries Lafayette dept stores and Cofinoga (our private card and customer financing subsidiary) have been moved to a dedicated company, through LaSer Informatique.
 - IBM Global Services has taken over the management of this company through one of the largest outsourcing deal ever closed in Retail (> 1 billion euros)
 - LaSer Informatique will promote outsourcing, using the Galeries Lafayette example. Many retailers should have the same reasoning. Facing the challenge of electronic commerce with limited resources, it is mandatory to focus on the new challenges by choosing an outside partner able to bring information and ideas, as well as operate the legacy systems.

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III.2. A larger technology initiative for the global Retail Industry?

- Beyond the strategic alliance, we envisage a new step.
- The electronic commerce game isn't going to be easy for large retailers. They have lots of strengths, but they face a real "earthquake", in technology and marketing.
- Cooperation between large groups, on a global scale, is needed in Retail. It exists in other sectors, e.g. banking.

- The objective, during the 1H 2000, should be to outline cooperation and direction, beyond presentations and consultants reports...

- Practical projects should be identified on strategic questions:
 - B-CRM: how to ensure that point-of-sale and the internet operate consistently?
 - Demand chain: how to develop B-to-B electronic commerce between retailers and light industries such as furniture?
 - Demand chain: how to develop standards to speed sales of services through retail companies?

- Galeries Lafayette is ready to participate, with IBM and other partners who would like to join in the development of this project on a worldwide basis.

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