

## Store of the Future: An on-demand environment

It's no secret that today's consumers want good value for their money, personalized service and the ability to purchase across multiple channels. Retailers are charged with serving these discriminating shoppers consistently and efficiently, around the clock. The challenge is especially complex in the face of economic uncertainty and mandates for tangible returns on every investment. Specialty retailers must be extremely nimble at sensing and responding to changes in the demands of their chosen consumers. Assortments, inventory, pricing, and even store concepts must be refreshed constantly to keep pace with a demanding market.

How can retailers cope with this changing environment? Successful stores of the future will operate in an *on-demand* model, adapting to the dynamics of the overall market, specialized regional needs, and the individual consumer. But how?

Fundamental changes in operating business models and processes will take place, enabled by a robust, technology operating environment. At IBM, we call this new model *e-business on demand*. Up to now, most businesses focused their attention on establishing a Web presence and integrating with back-end processes. E-business on demand is the natural next step, representing a synthesis of business and information technology--adaptable, highly responsive computing that facilitates real-time interactions across and beyond the enterprise. Applied to the retail environment, this synthesis can help companies deliver a superior customer experience; operate stores efficiently; collaborate with trading partners; speed time-to-market; and realize integration across business units.

### **What does an on-demand retailer look like?**

Successful adopters of the on-demand business model will embrace fundamental changes in business processes and people. For specialty retailers, IBM believes six core competencies will characterize those who have made the transition:

**An empowered team** that leverages dynamic information on products, prices and relationships to better serve the customer:

- Deliver real-time price, product and inventory data via wireless terminals. Turn your associates into sales consultants, not just cashiers.

- Make employees instant experts on your customer relationships, delivering information to mobile employees across the selling floor. Initiate and manage credit relationships.

- Implement wireless employee assistance, learning services, scheduling and task management.

**Expert managers** aided by accurate, relevant, real-time business information:

- Establish an electronic workbench for store managers, delivering vital store performance information wherever the manager is in the store.

- Deliver modular e-learning and development opportunities.

**Motivated shoppers** driven to buy by customized, dynamic messages and promotions:

- Establish customer segmentation, developing deep insight into their buying behavior.

- Implement electronic marketing campaigns, delivered at the "moment of truth" --the in-store purchase decision.

- Launch digital messaging and merchandising, enabling real-time and direct communication to customers.

- Leverage tailored rewards and promotions, built around credit or loyalty programs.

**Satisfied customers** who benefit from multi-channel access to information, personalized service and a choice between self- and assisted service in the store:

- Offer cashless payment, quick-pay terminals, and self-checkout stations, speeding the checkout process.

- Provide multiple touch points for sales and returns.

- Make available simple, high-volume inquiries, such as price checks, at key self-service points across the selling floor.

**Streamlined store operations** made possible by computer-aided ordering, continuous replenishment, optimized assortment and stock management:

- Implement dynamic price management to fine-tune promotional pricing to categories, stores, and days where most needed, improving gross margins.

- Tie sell-through trends to dynamic digital merchandising, utilizing "digital signage" to focus attention on critical product lines.

**Seamless trade** among partners, facilitated by price synchronization, product design collaboration, and supply chain management:

Give suppliers and distributors quick visibility to store-level selling trends.

Collaborate electronically with suppliers for forecasting, replenishment and product development.

***The bottom line: Is on-demand worth it?***

Every retailer must decide how much of the on-demand business model to adopt, and when. Some will focus on enhancing consumer service, pouring their efforts into orchestrating the shopping experience. Others will focus on supply, inventory and pricing efficiency as their competitive strategy. Whatever the starting point, IBM believes the results will flow through to the bottom line, but only if fundamental change is embraced by top executives:

**Store Operations**

The instant delivery of information to managerial and sales people at all points in the store will help lead to fundamental changes in labor productivity.

Store managers will be able to focus on their most important performance issues.

Revenue and gross margin can improve as supply and demand become better balanced and tuned to real-time market, regional and customer changes.

**Marketing**

Leverage deeper customer insight to drive marketing programs, assortments and pricing strategies.

Create a new direct communication channel to your in-store customers, influencing their purchase behavior at that "moment of truth".

Help secure a better overall return from your dynamically tuned advertising and marketing campaigns.

Stand apart from your competitors--move from selling products to satisfying consumers.

**Technology**

Deploy new on-demand capabilities faster with an improved store infrastructure.

Strengthen the strategic partnership between IT and business executives by creating the on-demand environment to support business initiatives.

Ensure that your shoppers have a consistent, dependable and secure experience.

***IBM: Helping companies evolve to real-time retail, right now***

At IBM, e-business on demand is more than just a vision. Already, our e-business experts are helping companies around the world evolve to this new model. Our skilled business consultants can help retail organizations begin this transformation now by conducting a thorough assessment of the enterprise and creating a customized roadmap for an on-demand environment.

IBM offers an open, "total systems" view of the infrastructure, with an emphasis on autonomically managed technologies. We offer the some of the most reliable, retail-proven portfolio of technology solutions in the world. And we are enhancing that portfolio across the board with e-business on-demand capabilities, enabling you to help realize new levels of operating efficiencies and customer service.