

Leading the Retail Industry... in the Internet Economy



**Customer Driven Retail:
Maximizing Market Opportunity**



MAKING RETAIL HAPPEN

Agenda



- Retail Market Forces
- Customer Centric Service Opportunity
- Multi-channel Challenge
- Customer Driven Retail Model
- Tools and Technology for Success
- Demand Levers in Retail
- Conclusion

Retail Market Forces At Work

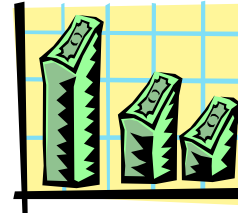
Customers

- Many points of contact
- Reduced Loyalty
- Better Informed
- Demanding



Environment

- Economy
- Corporate Structure
- Financial Markets



Supply Chain

- Cost
- Efficiency
- Flexibility
- Accuracy



Product

- Manage growing assortments
- Pricing and optimization
- Localization with efficiency
- Space and productivity



Competition

- New and aggressive threats
- Highly reactive marketplace
- Protect your market mentality
- Pricing strategies that kill profits



Retailers Opportunity



- Intersection of customers and products – this represents the single largest opportunity to drive growth, revenue and profit through the use of customer information
- Supply chain must be driven by customer generated demand information...otherwise retailers will always miss the mark
- Retailers will use multi-channel experiences to reach out to the customer and drive revenue
- Technology will enable the retailer to establish and maintain relevant relationships with the customer in all their channels

Multi-channel Challenges



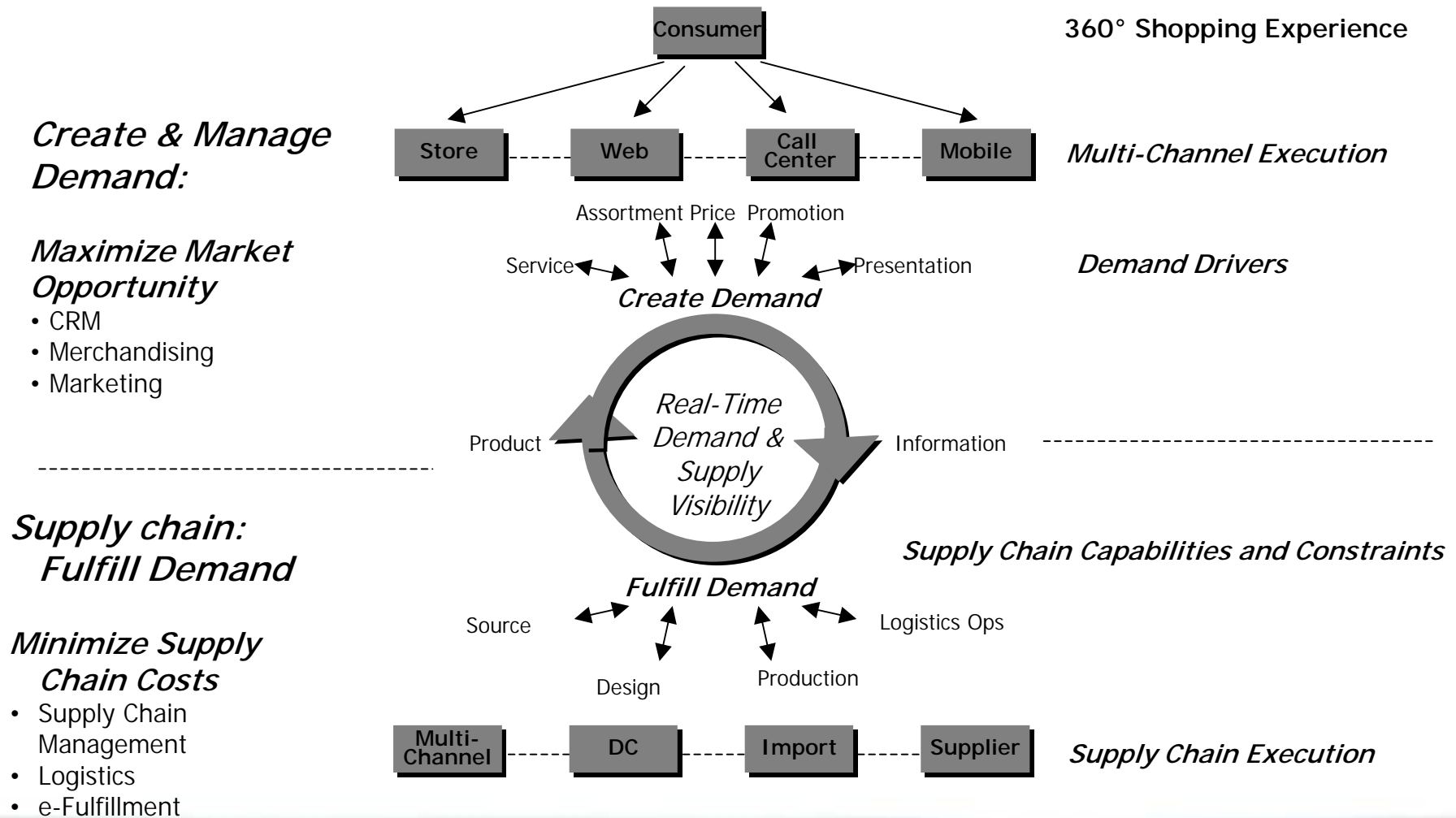
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- Collection and integration of information
- Leveraging customer information at the analytical, decision, execution and interaction level – make it actionable
- Defining the relevant customer relationship
- Linkage of demand and supply
- Integration of channel operations
- Revenue growth and operational efficiency

Multi-Channel Demand Management



“Help Retailers Create, Manage, and Fulfill Consumer Demand”



Customer Driven Retail Solutions



How to *acquire* and *apply* **customer understanding**

Challenges		Retail Levers	Customer-Centric Tactics/Solutions	
Optimize Loyalty	◆ Wallet Share	Assortment	<ul style="list-style-type: none"> Local market optimization Customer segment assortments Personalized assortments 	
	◆ Frequency		Placement	<ul style="list-style-type: none"> Category management Targeted Presentations Promotional placement
	◆ Profitability			Pricing
Growth	◆ Retention	Advertising / Promotion	<ul style="list-style-type: none"> Promotional effectiveness Targeted marketing and messaging Cross-sell, up-sell interactions 	
	◆ Attract Customers		Customer Service	<ul style="list-style-type: none"> Multi-channel order mgmt Direct customer contact – wireless interaction Real-time inventory visibility and management

Critical Technologies



- Predictive Analytics
- Integrated multi-channel customer and transaction information
- Integrated solutions to create, manage and fulfill consumer demand
- Extending point-of interaction – web and wireless
- Execution foundation to action decisions

Leaders are looking for new approaches..



- wanted to deliver coordinated assortment planning
- didn't want the complexity and performance mgmt challenge of a traditional planning solution
- deployed a collaborative & predictive web solution

- wanted real time inventory visibility across any channel
- didn't want the performance of a manufacturing solution
- deploying a multi-channel backbone with real time inventory management



- wanted to empower 2500 stores
- didn't want the cost of a client server solution
- deployed on a wireless PDA

Leaders are looking for new approaches..



NORDSTROM

- wanted operational efficiency while improving flagship customer service
- multi-channel integration for better service, price and assortment execution

- 3500 stores to deliver optimal localized service
- deploying a multi-channel backbone with real time inventory management
- optimizing assortment and supply chain for \$300 million



LANCÔME

- understand promotional effects to improve service, assortment, and profits
- promotional forecasting, integrated to customers for vendor managed inventory at a store level

Leaders are looking for new approaches..

IBM



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Edgars

- wanted coordinated and efficient management of markdowns at local level, but centrally managed
- integrated merchandising solution with price optimization – markdown effectiveness

- wanted to use customer information for comp sales growth
- customer behavior profiling allowed for assortment modification to drive comp increase while focusing on small subset of the customer base

Mark Shale

TRUWORTHS

- recommend products at the customer segment level to drive promotional performance
- customer behavior profiling integrated into customer data warehouse and marketing actions

Conclusion



- Multi-channel retailing is critical
- Customer-centric service has many levels
- Don't forget the retail fundamentals
- Leverage technology – require ROI
- Customer and transaction information needs to be linked to execution – everything is driven from the customer

Questions?