

Retail execution: One of the oldest challenges is the new opportunity

By Richard Essigs, Director of Business Solutions for Consumer Products Industry

Even as insight development, analytics, planning and collaboration capabilities continue to improve, success is still largely made or broken by the ability to execute in-store.

The marketplace in which Consumer Products (CP) manufacturers operate has never been more complex and the relationships with shoppers, consumers and retailers have never been more demanding. Fortunately the emergence of industry standards and technology advances, along with an increasingly skilled workforce, are contributing to improvements in the CP manufacturer's critical business processes such as insight development, analytics, category management, account management, trade promotion management and customer service. These enhanced capabilities and commitment to collaboration with retailers have put the spotlight back on retail execution.

There is broad recognition and acceptance of the important role retail execution plays in ensuring that strategies developed at headquarters translate into tactics tailored by marketplace, and specific activities which are performed in-store. When implemented as designed, retail execution programs have the ability to yield both increased revenue and reduced costs for CP manufacturers. Enhanced by increased collaboration between CP and retail the common target outcomes expected from the new focus on retail execution include:

- Improved product availability through ensuring distribution, reducing out-of-stocks and improving shopability
- Improved predictability and profitability of new product introductions

- Improved effectiveness and compliance for in-store merchandising programs

To achieve these target outcomes, industry leaders have focused on the integration of multiple data sources, business processes and the applications which form the basis of their information architecture. As this integration occurs, CP manufacturers are able to sense and respond to a range of capabilities including:

- Identify actual and predictive out-of-stock and overstock issues at the SKU and store levels
- Perform automated analyses and provide actionable tasks prioritized by the potential sales and profit impact
- Identify store locations which have inventory available for sale, but not located on the shelf
- Identify stores have lower promotional lift than expected for items and provide actionable tasks to address this situation

Actionable information: closing the gap between knowing what to do and getting it done

There is often a gap between knowing what to do and getting store execution right for most CP manufacturers. Two of the most common barriers which CP manufacturers face in their retail execution initiatives are:

- An inability to translate increasing volumes and emerging types of demand data into actionable insights in a timely manner. There is more data available on



a more frequent basis from more sources than ever before — overwhelming, rather than empowering the CP manufacturer.

- **An inability to achieve business process change and compliance across the multitude of touchpoints.** Without the ability to communicate prioritized actions to stakeholders on a timely basis, the likelihood is low that corporate strategy will be consistently executed in distribution centers, in-store and on the shelf.

Important marketplace developments have made closing this gap more achievable than ever before. As new data sources, new data types, and increased granularity have exploded, so has the ability to store, process and transform this data. Dramatic reductions in the cost of computing power translate into an ability to process larger amounts of data and to perform increasingly sophisticated calculations and analysis.

Additionally, information management has been positively impacted by the continued emergence of technical (e.g. XML) and industry specific standards for exchanging information between members of an ecosystem and across ecosystems. Web 2.0 developments have created the ability for combining and viewing data in ways previously not possible. Finally, pervasive and high speed connectivity — delivered with enhanced security, has supported the increased collaboration amongst all parties in the value chain.

What are CP manufacturers doing today?

Industry leaders are defining new information management architectures specifically with improved retail execution in mind. Near real-time knowledge of true in-store and shelf conditions will allow the field sales force, third party merchandisers and even store personnel to identify and prioritize the high impact retail execution activities. With this SKU-level and store specific view, the CP manufacturer can better understand what is happening in-store and then, improve compliance with merchandising and promotional strategies in a way that benefits both manufacturers and retailers.

To learn more about solutions IBM is delivering to improve in-store execution, please explore:

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