

INFORMATION TRANSFORMS

Eight Strategies to Transform the Economics of Retailing

Translating Big Ideas into Powerful Plans
for Achieving Breakthrough Results



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Transform the Economics of Retailing

Retailers now have unprecedented opportunities to transform the economics of their business and achieve breakthrough results—with creative strategies enabled by powerful technology.

The past 10 years have been a period of profound change in the retail industry. Information technology has affected everything, from the most casual customer interactions to the shape of complex supply chains. Industry structures and the macroeconomic climate have also changed dramatically. Some retailers have been able to take advantage of the worldwide demographic shifts and falling trade barriers that have opened new markets and created low-cost sourcing opportunities. For others, the primacy of the discount retailer and the commoditization of broad categories have forced executives to rethink core value propositions, streamline operations, and employ creative strategies for growth that go beyond simply opening more stores in core geographies.

Although these ongoing changes have contributed to challenging times, they are also creating new ways to compete. Retailers now have unprecedented opportunities to transform the economics of their business and achieve breakthrough results—with creative strategies enabled by powerful technology.

Following are eight business and technology strategies that are designed both to meet today's challenges and seize tomorrow's opportunities.

Fact: Retailers running Oracle are 48 percent more profitable than their peers.

(Source: Mainstay Partners, *Oracle Performance Advantage Research Report*, April 2008.)



Eight Strategies: Transform the Economics of Retailing

“[Oracle Retail solutions are] another tool that will help us to drive efficiency across our supply chain and make a fundamental difference to our customers.”

Keith Thurgood

CEO and Commander
AAFES

[Army and Air Force
Exchange Service]

Experienced retailers know that the hidden benefit of challenging economic times is the opportunity to create new, more-effective ways to compete. These eight business and technology strategies can help you meet current challenges and capitalize on future opportunities.

- **Strategy 1:** Integrate disparate systems and align supporting and core business processes to ensure a consistent, responsive, and well-coordinated approach to the market
- **Strategy 2:** Create a uniform, accessible data layer and embed analytics in applications throughout the organization
- **Strategy 3:** Utilize the hidden power of lifecycle pricing tools
- **Strategy 4:** Deploy advanced inventory management tools to use your largest nonlabor investment more strategically
- **Strategy 5:** Unlock customer data—understand your best customers and transform the others into loyal buyers
- **Strategy 6:** Make performance transparent and use the power of visual experiences to facilitate faster, better, and more-informed decision-making
- **Strategy 7:** Leverage analytics to increase visibility into promotion management and link it more closely to related processes such as supply chain, store operations, and trade funds management
- **Strategy 8:** Think big—but use modular systems to achieve fast paybacks and power your overall business transformation

“Our goal is obviously to have industry-leading performance, but also to offer great value to the customer. To do that, we needed to become more effective both on the sales floor and on the back end. That’s what we’ve done.”

Michael Koppel, CFO, Nordstrom



Strategy 1: Integrate Disparate Systems and Align Supporting and Core Business Processes

Anyone who has worked in an organization of even moderate size has experienced the frustration of poor or nonexistent communication and coordination across departments. For retailers, this lack of visibility across various departmental silos creates particularly acute problems. In fashion retailing, it’s still possible that the planning for an entire season’s line can take place without any visibility into or coordination among the supply chain, transportation, logistics, and store operations groups—exactly those departments that must get the finished products into stores by a specific date.

To address these inefficiencies, retailers need to look at linking many disjointed business processes—from planning to supply chain execution to the store. This integrated footprint should even extend to what have traditionally been considered supporting processes—including information technology, administration, human resources, and real estate (both in the physical and online worlds). The ultimate goal is to discover exactly what’s needed at the point of consumer consumption and to line up all processes to support interactions at that crucial point. This ensures a consistent, responsive, and well-coordinated approach to the market.

Strategy 2: Create a Uniform, Accessible Data Layer and Embed Analytics Throughout the Organization

Along with system and process integration, retailers must also address data management issues enterprisewide, moving toward the goal of a clean foundation of data that can be used to create a uniform application layer. For retailers, merchandising is a logical place to focus this work, since it touches on many key areas (planning, sourcing, supply chain, and store operations) and thus has a big impact on sales and revenue. With a uniform application layer in place, retailers can create a platform on which logical system and process linkages can be accomplished more easily whenever they are needed.



“We turned to Oracle to implement a merchandising system that would provide merchandise teams with a unified view of inventory levels, purchasing, and supplier contracts, so they could make better buying decisions.”

Bernie Brooks, CEO, Myer

Case Study: Argos

In a recent case study, Argos—a retailer with more than 700 stores across the U.K. and the Republic of Ireland—showed marked improvements in its online operations by achieving more than 50 percent in “goods-in” productivity for suppliers adhering to guidelines for palletization and labeling. These results were achieved through the use of Oracle’s planning applications.

Argos was also able to improve work processes that allowed focused efforts on vendor collaboration (rather than data collection). These efforts enhanced Argos’ ability to provide the customer with better in-stock rates and choices.

For maximum impact, retailers need to embed the latest analytic tools into applications throughout their organization. For example, planning solutions can and should include analytical elements for forecasting, assortment planning, and category management. Such solutions draw on complex sets of data from across the enterprise, but can provide simple answers to extremely localized queries. A new generation of reporting systems provides near-real-time data (as opposed to data that may be days or weeks old) for these optimization tools, empowering people throughout the enterprise to make decisions and execute on them, in the times and places where they will have the greatest impact.

Strategy 3: Utilize the Hidden Power of Lifecycle Pricing Tools

Lifecycle pricing is an area where connecting analytics to actions can create big wins. Price can be a significant lever to move inventory and improve revenues and margins. And just as product assortments can now be more easily localized, so can pricing—with new, more-sophisticated price optimization tools. However, because price changes can cut into sales of some products and lift sales of others, these advanced price optimization tools must take into account pricing’s impact on entire product assortments—both long lifecycle products (those with an established history, such as canned soup at a grocery or screwdrivers at a home improvement store) as well as fast-moving and seasonal items such as fashion apparel and footwear.



Fact: Perry Ellis International expects its new Oracle Retail software and automatic replenishment capabilities to help increase sales by 15 to 20 percent.

Strategy 4: Deploy Advanced Inventory Management Tools for Your Largest Nonlabor Investment

Because inventory is your largest nonlabor investment, inventory management is another area with the potential for fast ROI. New advanced solutions are capable of integrating and analyzing data from multiple sources, scaling up to manage inventory for thousands of stores while still creating optimal localized assortments. These advanced inventory management tools enable you to manage inventory more strategically.

For example, an advanced inventory planning tool could tell the dairy buyer for a grocery chain's Store No. 123 how much milk that store should have in stock on a particular Tuesday in March. It would base its recommendation on Store 123's sales history for the product, plus a demand forecast that takes into account upcoming promotions and impending weather events—all while staying within parameters established in the retailer's category management application. These tools can also provide the best allocation of limited inventories to multiple stores, reducing the likelihood of stock-outs even when stores can't all be stocked to their optimal levels.

Strategy 5: Unlock Customer Data—Understand Your Best Customers and Transform Others into Loyal Buyers

Retailers are well aware how crucial understanding customer data is to their success. The growth of online retailing has added to retailers' potential knowledgebase, with click-by-click analytical tools that reveal not just what customers ultimately buy, but also their purchasing processes. With improved integration of data, applications, and multiple channels, retailers should be able to bring this deeper customer analysis into the world of brick-and-mortar retailing. Stronger links to store operations systems and employees' mobile devices will help ensure retailers' ability to execute on these customer insights—recognizing and rewarding their best customers at every interaction point.

“In order to reach the next level of retail maturity, we needed to enhance our customer experience. We believe that with Oracle Retail, we can optimize inventory to more accurately identify and plan to sell the right products for the right prices and in the right numbers. The proven expertise of the solution will help us to implement best-practice processes for retail, with a phased road map for delivering results and promoting rapid time to value.”

Mehmet Nane
General Manager
Teknosa



Strategy 6: Make Performance Transparent; Facilitate Faster, Better, and More-Informed Decision-Making

“A key factor in our decision is the industry experience Oracle brings to us, allowing us to effectively partner with them to meet our business objectives.”

Don Zimmerman
Chief Information Officer
Arby's

Retailers that succeed in linking together their disjointed business processes and building a solid foundation of clean data will be well positioned to provide their employees with deep views into the business—making relevant insights more readily accessible and enabling faster, better, more-informed decisions. These insights will have the greatest impact if they are presented within the context of specific, relevant workflows, in visual formats that highlight key points rather than bury them in tables and charts. Newly available tools allow employees to build their own data workbenches that personalize their views and data presentation preferences. When you make performance transparent and use the power of visual experiences, you can facilitate faster, better, more-informed decision-making.

Strategy 7: Leverage Analytics to Increase Visibility into Promotion Management

Traditionally, promotion management has been one of the most siloed of all retail functions. It is also one of the most difficult to measure effectively. However, new tools can shed some light on promotions processes, with advanced analytics that improve the planning, execution, and evaluation of promotions. In addition, stronger application and data connections throughout the retail enterprise can

- Link promotions more securely to the supply-chain and store-operations processes that ensure product availability and placement
- Streamline trade funds management (for grocery retailers)
- Help achieve margin goals

“We challenged Oracle Retail to provide us with solutions and technology across our entire retail footprint within an integrated framework. In the end, there was no one else in the market close to delivering the broad range of solutions that Oracle could for our business. They made it an easy decision for us to partner with them.”

Kristen Blum, Chief Information Officer, Abercrombie & Fitch



Strategy 8: Think Big—But Use Modular Systems to Achieve Fast Paybacks and Power Overall Transformation

Maximizing the value of all these strategies requires retailers to take a broad, comprehensive approach to their IT architecture, linking formerly disparate and disconnected systems and making clean, actionable data available to many more people throughout the enterprise. But in the current economic climate, investments must be aligned with the realities of business performance.

By using modular solutions that can be implemented rapidly and targeted at specific business problems, retailers can get fast paybacks that can help fund future projects. Retailers’ long-term investment—a common application layer—will allow them to integrate these modular solutions into their overall IT footprint, getting the benefits of advanced analytical tools, localization, improved execution, and relevant insights delivered via easy-to-understand visual formats.

Case Study: Maurices

In a recent case study, Maurices, a North American retailer, improved its visibility into store performance with Oracle’s solutions.

Maurices turned to Oracle Retail solutions to overhaul its core IT merchandising systems. With Oracle’s advanced capabilities, Maurices centralized its merchandising organization and provided timelier, more-detailed reporting that allowed planners to view individual store performance in detail. The resulting micro-merchandising created a more tailored customer experience to meet each local market’s needs while lowering operating costs.



“Oracle understood our retail environment and helped us make our operations more efficient. Deploying Oracle Retail solutions has been a critical step in our strategic growth.”

David Jaffe, CEO, Dress Barn

About Oracle Retail

Oracle Retail Applications

- Oracle Retail merchandise operations management
- Oracle Retail Point-of-Service
- Oracle Retail Advanced Inventory Planning
- Oracle Retail Replenishment Optimization
- Oracle Retail Demand Forecasting
- Oracle Retail Regular Price Optimization
- Oracle Retail Price Optimization
- Oracle Retail assortment execution
- Oracle Retail Merchandise Financial Planning
- Oracle Retail Category Management
- Oracle Retail Promotion Planning and Optimization
- Oracle Retail Item Planning
- Oracle Product Information Management for retail
- Oracle Retail Data Warehouse
- Oracle Application Integration Architecture
- Oracle’s Siebel Retail

Oracle is the No. 1 provider of innovative and comprehensive industry software solutions for retailers—enabling organizations to serve their customers better by applying insight into daily business decisions for more-profitable results. With software that provides supply chain, operations, merchandising, store systems, and optimization, as well as enterprise applications and infrastructure software, Oracle partners with the world’s leading retail companies—including 20 of the top 20 retailers worldwide—to transform the economics of their businesses.

- Only Oracle provides end-to-end technology solutions—database, middleware, and applications, all based on open standards—to transform your retail business.
- Oracle Retail is the result of Oracle’s strategic acquisition of best-of-breed applications, as well as the realization of its long-term vision for the retail sector. These applications provide retailers in key vertical segments—including fashion, grocery, and hardlines—with more insight, increased integration, and greater value to drive customer relationships.
- Oracle Retail’s advanced analytic capabilities transform your ability to make better decisions, so you’ll carry the right items all the time.
- Only Oracle offers analytic capabilities that are fully integrated between merchandising and financial systems.
- Oracle Retail applications begin and end with value—so you can start with an immediate return on investment and continue with improvements that sharpen your business strategies and execution capabilities.

CONTACT US

Oracle Retail has solutions that enable retailers to deploy the strategies mentioned in this paper. Please visit oracle.com/retail or e-mail oneretailvoice_ww@oracle.com to speak to an Oracle Retail representative.

Outside North America, visit oracle.com/corporate/contact to find the phone number for your local Oracle office.



Oracle Corporation

Worldwide Headquarters

500 Oracle Parkway
Redwood Shores, CA
94065
U.S.A.

Worldwide Inquiries

Phone
+1.650.506.7000
+1.800.ORACLE1

Fax
+1.650.506.7200

oracle.com



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