Retail strategy consulting

Strategy consulting helps companies transform the way they do business. We help our clients achieve competitive advantage through a fusion of business, customer and technology strategies and an explicit linkage of critical issues to actions and results. We bring our clients the resources of IBM Global Services, the largest services company in the world, and the first-hand operational experience the IBM Corporation has gained over the course of its ten-year transformation.

Below is an example of our insights and work in the retail industry.

STORE OF THE FUTURE

The Issue:

Retailers are facing increasing pressure to enhance the in-store experience through customization, personalization, and differentiation by leveraging next-generation technologies. At the same time, they must operate in an environment of increasing competitive intensity and financial pressures. In a classic "rich get richer" storyline, those companies who can afford to take advantage of technology to enhance the customer experience will be able to reap disproportionate gains relative to their smaller, less-endowed competitors.

Our Perspective:

While specific approaches will vary depending on the retailer's brand position, pricing strategy, and existing capabilities, preparing for the "store of the future" will require retail executives to venture into new territory and forge new competencies including the ability to:

- Assess and design the shopping experience from a customer's viewpoint
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- Identify and track customers across increasingly diverse channels and touch points
- Understand household-level profitability of customers, both historical and potential
- Develop new business rules and programs to provide differentiated levels of service to their "best" customers
- Create a customer-centric organization, including customer segment managers, customer-aligned metrics and incentives, and cross-business unit linkages to facilitate cross-sell, up-sell and offer solution development
- Create the technology infrastructure required for "plug-and-play" adoption and evolution of new retail applications and programs.

Case in Point:

A leading quick service restaurant (QSR) provider was faced with eroding profit margins, flat revenue growth, and stagnant customer experience. The QSR company needed to focus on improving:

- The customer experience through enhanced ordering ease and personalized orders;
- Restaurant order and production capabilities through enhanced connectivity, routing, robotics, and device integration;
- Labor, site, cash and administrative capabilities;
- The enterprise-store relationship and CRM capabilities through enhanced POS information, customer segmentation, and production processing.

In order to mitigate the client's margin, revenue, and customer satisfaction issues, a joint IBM-QSR company team designed and operationalized a "store of the future" infrastructure focusing on the following:

- Implementing automatic beverage machines integrated with self-services kiosks and other order taking devices;
- Applying biometric security for attendance, authorization and authentication;
- Implementing management systems.

The QSR provider adopted the recommendations and is currently implementing these initiatives. This plan has resulted in increased revenue and profitability growth, as well as enhanced enterprise-store relationships, revenue assurance, labor effectiveness, production efficiency, and channel expansion.

GETTING TANGIBLE, REAL RESULTS FROM YOUR CRM INVESTMENTS
The Issue:

Many have talked about Customer Relationship Management (CRM) and how to make money. Airlines have had loyalty programs for years, and are still losing money. Hotels, car rental companies and banks, to name a few industries, have implemented loyalty programs with mixed results. Grocery stores have been collecting customer level data, but few have invested in the IT systems required to truly pull the insights from the data, thus reap the benefits. The question remains: how do you jump on the CRM band wagon and make money from it?

Our Perspective:

Three key areas are required:

- **Have clear goals and plans for how CRM will save costs and drive revenue.** Most executives know that a CRM program is a large investment. While most expect the IT budget to be tens of millions, few realize that managing a loyalty program successfully can cost even more. Today's leaders also want to know where the financial benefits are before spending a dollar. With such focus, CRM programs need to be refined to deliver significant value to the business and its vendors or partners.

- **Involve the vendors/partners from the beginning.** This is a requirement for 3 reasons: 1) To ensure that the information being gathered can be used by the vendors or partners to better understand the customer, 2) to ensure any best-of-class CRM learning from the vendors or partners, 3) to share in the key components of program funding. Vendors and partners desperately want the information from the program, from closed loop offers to better knowledge of best customers. They are often willing to pay for it. Thus it is silly to leave money on the table.

- **Make CRM a two-way street for the consumer.** The consumer is providing information about themselves and they are taking time to join and use the program. What are they getting for their investment? Lower prices -- maybe. How about input into new product development, especially line extensions for their favorite existing products - their favorite blouse in new colors or specific vitamins added to their favorite juice or breakfast cereal? To succeed, it's not just about gathering more information from the consumer and pushing more products, it's about building a tighter relationship with the customer, giving them more of what they want so they are more loyal to you.
Case in Point:

A major discount chain started to create a CRM program to improve the chain’s customer reach, yet had not developed a strategy around customer wants and needs. The management team could not educate employees on the CRM program fast enough, and therefore functional silos began to develop between IT and the business team. The company needed a customer-centric strategy that would align its business and IT departments while bringing greater focus to its CRM program.

A joint IBM-retail company team began by prioritizing the customer wants and needs. Customer satisfaction metrics were identified, and metrics of initiative success were developed and prioritized.

The result was a customer-centric strategy that would improve the company’s ability to develop key initiatives, based on deep customer insights, across multiple customer access points: Point of Sale, Customer Loyalty and Rewards Programs, eMail and Direct Mail, and Smart Card Kiosks.

A greater understanding of the costs and benefits of CRM have enabled the discount chain to develop a unique market position, serve its customers with a more informed understanding of their wants and needs, and provide vendors/partners with useful information about key customers.

DIRECT STORE DELIVERY MODEL UNDER SIEGE

The Issue:

Leading grocers have identified Direct Store Delivery (DSD) as the next focus area for effectiveness in how certain categories of products are supplied by Consumer Package Goods companies. DSD in some grocery formats account for 20 percent of the volume, 40 percent of the profits, and 80 percent of the store operation headaches. One of the leading CPG companies is considering taking much of DSD ordering in-house over the next 18 months in order to unburden the grocers. How should other CPG companies respond?
Our Perspective:

CPG companies should seek ways to capture the unique advantages of DSD, while eliminating the ‘pain-points’ that have historically burdened retailers. Store-specific auto replenishment requires support by advanced analytic and demand planning systems capabilities that far exceed even those of largest and most sophisticated retailers and CPG companies.

Case in Point:

Due to the potential loss of control over replenishment and service for a key category, a leading CPG company sought to fundamentally alter its service model for one of the world’s largest retailers by moving to store-level auto replenishment. The company needed a transformational strategy that applied advanced marketplace analytics to demand forecasting.

A joint IBM-CPG company team envisioned a solution that included the design and implementation of a first-of-its-kind store-level ‘intelligent ordering’, i.e. auto-replenishment capability, a fundamental shift from the traditional ‘push’ replenishment model for DSD. The team designed and ran an operating Proof-of-Concept Pilot involving 5-10 stores to master the operational model, prove the business case, and prepare for scalability.

The work resulted in a breakthrough in store level service and efficiency. The stores in the pilot experienced a three-fold decrease in out of stock rates resulting in higher sales per square foot, improved fill rates and a lower cost-to-serve. Over time, the CPG company forecasts to gain market share in its category.

INTEGRATED MARKET MANAGEMENT: THE FUTURE OF TRADE RELATIONS BETWEEN CPG COMPANIES AND RETAILERS

The Issue:

The industry ecosystem comprised of consumer packaged goods (CPG) manufacturers and retailers is rapidly evolving. In particular, today’s dynamic marketplace presents three fundamental challenges for industry executives:
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- Consumers are becoming more empowered and difficult to retain
- The marketplace is reaching high levels of consolidation, with powerful players shifting the competitive landscape
- Technologies are proliferating and becoming more powerful, yet more complex to manage.

Our Perspective:

In order to address these changes and remain competitive, CPG manufacturers and retailers must change the way they think about their trading relationships. Improved technologies, competitive shifts, and increased focus on point-to-point collaboration between retailers and suppliers have catalyzed trading partners to work more effectively and make more educated and actionable decisions. However, these evolving trade relationships are inherently complex and uncertain, and the industry needs a shared vision of the future to help guide investment decisions, minimize risks, and maximize economic returns.

Integrated Market Management is a new model for trade relations, providing CPG manufacturers and retailers with a framework to structure new business practices and investments. By integrating and automating data flow and analysis, trading partners can gain insight into operational performance and consumer behavior, and make continuous, real-time improvements across key shared processes.

Case in Point:

A leading Consumer Packaged Goods (CPG) company experienced complete stagnation for ten years in a market it once owned. The company sought to re-think its entire distribution model to more closely align to its trade customers. Likewise, it wanted to unlock the potential of its field sales organization, and identify key areas of collaboration that trade customers are demanding. The company was also challenged by how to properly motivate its distribution network, which it did not own.

A joint IBM-retail company team developed a Customer Relationship Management (CRM) strategy to integrate processes across the entire value chain (i.e., supplier to distributors to retailers). The strategy included revamping the CPG firm's traditional customer segmentation model, providing new, value-added offerings to customers (i.e., distributors and retailers), and executing culture-changing improvements in its core business, technology, and organizational infrastructure. The strategy also included leveraging leading-edge technologies to improve the effectiveness of the entire value chain.
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The CRM strategy has been approved for implementation with plans to energize its organization and re-take its market leadership position. The CPG firm is now more closely aligned with both its field sales organization and its trade customers.

Additional links

Multiplying business value: The fusion of business and technology
Consultants have long proclaimed the need for strategic alignment between business and IT: Set your business strategy, and then determine how technology can help. Unfortunately, traditional alignment approaches invite risk and leave opportunities untapped. Higher returns can be achieved through a higher degree of strategic alignment - the fusion of business and IT.

Closing the performance gap: Back to basics for the U.S. banking industry
Banking institutions across America show a striking dichotomy in terms of stock performance. Those that remain at the top of the charts display strategies and attributes that consistently garner shareholder value. A recent study by the IBM Institute for Business Value suggests that while their methods may vary, these leaders share three distinct strategies.

Weathering the economic downturn… while moving ahead
While the economic downturn has hit some sectors and geographies harder than others, almost every business has felt its impact. At the same time, economic uncertainty elicits different reactions from different firms. Some organizations simply tread water, while others move ahead of competitors. As executives rethink their business strategies, they should consider a variety of approaches -- including some that are not immediately obvious given today’s uncertain economic climate.