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Canada's 330-Year-Old Retailer Transforms Itself With New Internet-Based Technology

**Hudson's Bay Company Shops IBM
To Bring Integrated One-Stop Shopping to Canadians**

New York, NY, January 15, 2001 ... With more than 330 years of experience in the retail business, Hudson's Bay Company (TSE: HBC) has learned a thing or two about survival.

With technology and the Internet now integral in retailing, HBC and IBM (NYSE:IBM) are working in an integrated way, and with the retailer's other technology partners, recently undertook an entire transformation of HBC's technology in order to provide consumers with a seamless one-stop shopping experience across all of its different stores and Web site.

As Canada's largest and oldest department store retailer, HBC was faced with an aging fleet of different checkout registers and an obsolescing gift registry system unable to handle the increasing demand. The historic company, which measured its legacy in centuries, was facing the lightning changes in Internet, where time is measured in "Web years" or mere months. HBC realized that technology was going to be a critical factor in remaining competitive in the face of new online stores and bricks-and-clicks retailers.

With more choices than ever before, today's savvy consumers still look for quality customer service and flexibility when shopping, as well as a consistent experience whether they are accessing a retailer in person in a store, on the phone or online via a Web site.

For retailers, each time a customer makes a purchase is also an opportunity to learn more about how that customer prefers to shop. Collecting customers' shopping preferences further offers HBC a wider perspective to better service their future customers. By offering more personalized choices to do their shopping, consumers are more likely to choose HBC next time as their preferred retailer.

With IBM's help, HBC is now taking full advantage of leading technology impacting customers shopping at any of HBC's retail formats – the Bay, Home Outfitters, Zellers, Zellers Select or hbc.com, the company's e-commerce offering. HBC sales associates now have access to a broader view of that customer through the interconnected network of cash registers and databases across the entire company.

"As part of the joint commitment to develop HBC as a retail showcase, the retailer identified the need to operate as a single, seamless organization went beyond streamlining operating costs," said David Petiford, general manager of IBM's Retail Industry unit. "If you make the shopping

experience simple and straightforward from the consumer's point of view, you build stronger relationships with customers who choose The Bay, for instance, as their preferred department store, and create a willingness in those customers to cross-shop at their other HBC stores."

With over 500 stores throughout Canada, consisting of the Bay, Home Outfitters, Zellers and hbc.com, HBC customers will be able to shop any of these locations as if it were the gateway to the rest of them. HBC's entire fleet of new Internet-enabled **IBM 4694 Point-of-Sale (POS) Systems** allows customers, for example, to cancel a pending online order from hbc.com, if their ordered merchandise could also be found and bought immediately in the store. Since all the systems and databases are interconnected, Internet shoppers may also return an online order in the store.

With the new **4694**, over 60 percent of customers in a Zellers survey noticed an improvement in checkout time. With automated help and training modules, HBC's more than 60,000 sales associates can learn or complete sales tasks quickly and independently through the POS system. If an associate is not trained to handle a particular transaction, the **4694** offers step-by-step instructions towards the completion of the process, minimizing the delay to the customer.

"IBM plays a critical role in our information technology strategy development and planing, they have worked with us to develop a company-wide solution fit for our size and specific needs," said Dave Poirier, CIO and executive vice president of HBC. "Whether it was to replace our aging POS registers, or integrate our gift registry kiosks into the entire network, they were able to develop a solution. Furthermore, IBM was able to work around and through viable hardware and software in which we had recently invested, minimizing new equipment and application expenses."

IBM also assisted HBC in managing its 52 percent market share of Canada's gift registry business. HBC had large in-store kiosks that could no longer process increasing customer demand, but replaced them with new IBM Web-enabled kiosks that allow customers to reach beyond simply purchasing gifts from a registry. Shoppers can now browse through inventory, place special orders, print out personalized shopping lists, or check into loyalty programs while they shop.

"IBM's technology is a critical piece of our commitment to providing quality merchandise and superior customer service," said Mr. Poirier. "As a result, our sales associates can spend even more time assisting our customers in the stores."

The integration of HBC's retailing channels was conducted through IBM's MerchantReach, a broad portfolio of solutions for POS, kiosk, e-commerce, mobile and wireless commerce, customer relations management (CRM) and enterprise infrastructure. MerchantReach enables companies to integrate some or all of these channels to present to their customers an integrated multi-channel shopping experience.

About The Hudson's Bay Company

Hudson's Bay Company, established in 1670, is Canada's largest department store retailer and oldest corporation. The Company provides Canadians with the widest selection of goods and services available through retail channels that include more than 500 stores led by the Bay and Zellers chains. Hudson's Bay Company employs 70,000 associates and has operations in every province in Canada.

About IBM Retail Industry

IBM, the world's leading e-business and information technology company, provides the Retail Industry with a full range of e-business solutions, including: hardware and software technology; consulting focused on business transformation, IT strategy and planning, store operations improvement, and supply chain optimization, and with services, such as outsourcing, managed operations, systems integration, and application development and design. For more information on IBM Retail Solutions, please visit www.ibm.com/solutions/retail