Event ID: 289011
Managing Pricing, Promotion and Loyalty Programs: Part 4 of our 5-part IBM Good Decision! Webcast Series

Peter Kraft: Good morning, good afternoon or good evening, depending on where you are in the world, and welcome to today's webcast, part four of a five-part webcast series entitled Five Jobs You Can Do Better With Intelligent Decision Automation. Today's webcast will focus on managing pricing, promotion and loyalty programs. It is brought to you by InformationWeek, IBM and broadcast by United Business Media, LLC.

I'm Peter Kraft, today's moderator. We want to make sure this event is as interactive as possible, so I'd like to make a few announcements before we begin. Next slide, please.

First, you can join our interactive Q&A session at the end of the event by submitting your questions at any time during the webcast. Just type your question into the Ask a Question text area, which is below the immediate player window. Then click the Submit button.

Second point, the slides will advance automatically throughout the event. If you'd like, you may download a copy of the slides by clicking on the Download Slide button, which is located below the presentation window.

Third, if you are experiencing any technical problems during the webcast please click on the Help link below the media player. That will take you to our webcast help guide. You can also contact a live technical support person to help you. Their number is located within the guide as well. Next slide, please.

Now on to our presentation, Five Jobs You Can Do Better With Intelligent Decision Automation, part four, Managing Pricing, Promotion and Loyalty Programs. Joining me today is Joanne Macdonald, marketing manager for BPM for Retail Websphere at IBM. Joanne, over to you.

Joanne Macdonald: Hi, thank you. Thank you for inviting me today. I'm happy to be here. So we're on slide four, and I'll just overview quickly the agenda for today's session.

We're going to begin with a bit of a discussion or an exploration around the top challenges and opportunities that retailers are facing today. It's certainly worth noting that the key initiatives that we're going to talk about today, being business process management as well as decision management certainly can apply to other industries. So if you're not in the retail industry, please still stay tuned. There's lots of good nuggets of information that can definitely be parlayed to other industries outside of retail.

But first of all we're just going to talk a little bit about some of the challenges in that industry and then we're going to dive in to some examples around these two key areas, that of process optimization and decision management. We're going to look at customer stories and around those key areas how a couple of customers have done it, and some of the successes and benefits they've yielded. Next slide, please.

This stage-setting slide really reminds us how the new economy has changed the retail industry, and certainly this does apply to many other industries also. We see here there's a whole bunch of information on this slide -- the macroeconomic environment, the fact that consumers are changing. They've got less money to spend these days, they're more informed, more savvy than they've ever been before.

The whole mobility topic is another one we don't even get deep into here, but it certainly is an umbrella overlaying the retail industry. We all are aware, as consumers in our own right, of the different experiences we now can have with the Web and with mobile devices, and of course shopping in-store as well.

So all that to say that the environment that retailers are operating in is really changing. And you see in the middle box there are there key business imperatives we know retailers are keen to address today. They're looking to deliver smarter shopping experiences, they're looking to create smarter merchandising and supply chains and increase efficiencies there, and of course they're looking to drive overall smarter operations. Again, that could be in any industry, the need to be more efficient and drive smarter operations in order to meet the changing needs of the environment and customers around us today. Next slide, please.

On this slide we see sort of checkpoints around what's going on in the industry, and some very interesting nuggets here that help drive home the point around why retailers need to pay attention to the initiatives we're going to talk about here today. We see that 91% of customers are spending less money these days in particular areas. We note that $1.2 trillion in value -- now that is an impactful number, if I've seen any -- is typically stockpiled in supply chains.

This is as a result of long lead times putting retailers at risk and the systems are inefficient and prohibiting them from getting the products to the right place to meet the needs of the consumer. Now, a staggering $93 billion you see on the right-hand side there, $93 billion in total sales are missed each year because retailers are not having the right stock on hand to meet customers' needs.

Lastly on the bottom $1.65 trillion is risked by retailers today, resulting from the fact that promotions, and that's what we're going to dive deeper into today, are not effectively executed. Something like 59%, 60% of the time, promotions are not coming off as planned, and we're going to talk more about that in a moment. Next slide, please.

This is an interesting overview slide that could apply to any industry, again. It gives us an image that outlines how organizations are finding new opportunities to improve their business by leveraging the insights from the data that they've collected over time, be that historical data or industry data.

Certainly retailers we know are moving from a place where you see on the left-hand side here where they once lacked insight and efficient access to information, that they're now

more moving to -- whether they're in the phase of a traditional approach or a new approach that we see here -- I think the real key concept to take home is that retailers and other businesses and other industries as well are moving to a place where they are wanting to have the information on hand to be able to predict what's going to happen in their environment, with their business, with their customers, and be able to have the right information to make the right decisions to act on what's happening in their environment.

No longer are organizations wanting to rely on skilled experts to mine their analytics. Instead, they're looking to empower line-of-business users with information that they need to make the right decision at the right time, and this is really important to what we're talking about here today.

We need to provide the workers within an organization the information they need to make informed decisions and actions within the context of their actual work and their business process. So this sort of is an umbrella piece here to just set the stage for some of the discussion we're going to have in subsequent slides. Next slide, please.

This is a good one just to set the stage for our discussion. Process optimization and decision management are two key things we're talking about here, and they can commence in a retail organization via many different starting points or business pains that we know retailers are facing, or process areas -- whatever we want to call it.

This is sort of a shopping list of various known pains and areas of the organization where we know these two key initiatives of BPM, business process management, and decision management can have some real significant value.

The bullets in red there are top priorities for us at IBM, where we definitely have some excellent customer stories and proof points that we definitely have great stories around, including the topic of promotions management, which we're going to talk about here today. We also see some other examples. For instance, the process of on-boarding new vendors is one that retailers can gain efficiencies in that will really impact their business.

The process of managing trade funds and how they get reimbursed for these agreements is another key area, as is multi-channel inventory location, which is a whole nother topic for conversation, that of needing to get the right inventory to the right location, be that a Web catalog or the bricks and mortar store location, to meet the needs of the customer.

So that's a real good thinking slide for anyone who's in retail of gee, these are all the areas where we could apply these initiatives that we're going to talk about here today. Let's move to the next slide, please, and just give a quick summary of the key items -- what you need to know on this topic -- the real key takeaway we're going to open this up here and then get into some more discussion.

Promotions, as I noted, are only being executed as planned 59% of the time, industry statistics show. That's a remarkable number of promotions that retailers are putting in place that are not coming off as planned because something goes awry in the planning of

the promotion so therefore the product does not get to the customer. Not good for customer satisfaction and causing the retailer to lose money.

Add to that 78% of shoppers that are surveyed indicate that pricing and promotions are really key to their buying habits today. With tighter wallets and with more mobility, it's more important than ever for retailers to hit this out of the park and devise effective promotions that satisfy the customers and keep customers coming to them, obtain new customers and maintain the loyalty of their existing customers.

Add to that the fact that successful promotions require coordination of numerous tasks, people, data and information that can be kept all over the organization. We'll talk a little bit more about that, too, but the real key point there is that planning a promotion really requires multiple different steps, multiple people that can be in different departments, whether it's the advertising department, the supply chain area of the organization, the Web side of the organization. Many different functions and people and pieces of information need to come together for this promotion to come off as planned and be successful to meet customers' needs.

Then the net of it is, the fourth bullet there on this slide, process optimization and decision management are two key areas where we know we can provide retail organizations with the efficiencies to begin and manage promotions more successfully, and the tools to enable line-of-business users to make (technical difficulty).

Here we just see a couple more nuggets around the fact that customers are indeed changing their buying habits. They're buying fewer items, they're using more coupons and they are indeed waiting for sales. All in all this is more to drive home the point that retailers really do need to pay attention to the promotion area of their business. Next slide.

We've looked at the state of the industry and we've thought about the issues facing the retailer, as well as we've touched on some of the changing needs of the customer, but let's ask a big question here for the retail organization. They really need to ask -- ask ourselves if we're in the retail sector, are you losing incremental revenue and customers as a result of inefficient promotions, planning and management?

A couple images here really show, and some of the stats underneath, the left- and right-hand image on this slide really show us a recap of the fact that what customers experience does have a direct impact on the business results. If you're not implementing and planning a successful promotion, it really does impact the bottom line. Next slide.

Key question here is, how do we know? How efficient are your promotions? We see here there's potentially someone who's working in an organization required, she's maybe responsible for planning the promotion, and all the questions she has -- do I have the required inventory on hand? Has the sale price been put on the website and the same appropriate sale price published in the newspaper flyer that's going to come out on the right day to meet the needs of the customer?

There's so many questions, so many pieces, so many parts involved in the planning of a promotion. There's many areas for risk and missed opportunity here. On the right-hand side we see just a shout out to a couple of customer stories that we will dive a bit deeper into in subsequent slides, so I'm not going to go into those in detail. But some examples of retailers who have definitely employed process automation and business rules led a decision management for great success in this area. Next slide.

Some additional stats to help us really level-set on the fact that 78% of shoppers surveyed indicate that price and promotion are most important. We've heard about that. We see some key industry stats here, some industry-leading organizations talking about how for instance in the supermarket chain, it can receive up to a thousand deals per week and they may introduce 20,000 new products and promotions in a week.

Can you just imagine the complexity of this topic? Again, shouting out to the fact that promotions are often not executed as they should be, and thus this is an area that needs to be dug deeper into. Let's move to the next slide.

So far in the presentation we've talked about what's going on in the industry and we've really hit home with why we need to pay attention to this promotion area. In the next area we're going to dive deeper into these two key initiatives I've mentioned, that of process optimization -- what does this mean, how can it benefit retailers ? And we're going to look at a customer example. Then we're going to talk about decision management and how decision management tools can help a retailer drive business agility for growth and success in their promotions. Next slide.

First area we just want to pause on here is around process optimization. And there's many benefits that can come to a retailer and to any organization, really, from optimizing, streamlining business processes, laying out and documenting the various tasks involved in a process, modeling and noting what is required from end-to-end of this process for it to come together.

As noted, many different pieces and parts, people, information, need to be coming together. So a few benefits here that are noted in the bullets on the slide, but just to summarize there, retailers can incur a variety of benefits, including in the promotions area, improved visibility of in-store promotions, they can then have a better ability to combine user interaction when a customer is in the store, to be able to deliver, make the right decision to deliver them.

The right kind of offer -- often, we come across a situation as a consumer where you're in a store, maybe you have a 10% off coupon, maybe it's your birthday, so you're also due a 15% -- you know, how does the person working in the retail organization discern from all the different promotions and offers what is the best opportunity to provide to you right then when you're at the till?

This is an opportunity for retailers to really hone some expertise and empower their staff to provide a better experience by, number one, having the process optimized and automated so we can pull all the pieces together in advance of the promotion, and number two, when the person is in the store wanting to make the purchase we can deliver them the right promotion and make the right decisions to meet their needs at that time. Let's move to the next slide, slide 16, please.

This is a customer case study. It's a real IBM customer from Europe that implemented process optimization solutions from IBM around their promotions planning process. There's a lot of words here on this slide, but I'll just explain to you how they streamline the promotion planning process and realize some significant efficiencies in how their staff handled the process and how then they were able to offer more targeted promotional forecasts and increase product availability in future to meet the needs of their customers.

This all contributed to the success of their promotions, along with a real significant boost in customer satisfaction. This customer is the world's largest fragrance company and they have distribution in more than 90 countries. They're a recognized leader in the global beauty industry, with global distribution, and I think they represent something like 35 different designers, including celebrity and lifestyle brands.

Some key challenges that this company faced was the fact, as noted earlier, data and information required relied heavily on spreadsheets and email. It was scattered across many departments throughout the organization, even in desk drawers and individual PCs, and in order to get all the information together they needed to get it out of those various silos.

Another key challenge was that they needed to be able to automate the process in order to provide accurate forecasts of activities coming for the following quarters, following seasons. They needed to really automate this process to help them address the needs of their worldwide user base.

Again, a third key challenge that they faced was that of inaccurately managed inventory. Their inventory was often not available at the right time because of this fact, that the process was not well documented, information resided in silos across the organization, resulting often in shortages or, as we noted earlier, excesses which sat in the warehouse, leading to significant risk in an inventory perspective and unhappy customers and missed sales.

So what did they do? They automated their process, many of their processes, and through process automation helped them deliver on-time and accurate promotional forecasts. Now they were able to have the information that they needed to make the right forecast to get inventory to the right places in future for maximum effectiveness. Now, after they've optimized their processes with BPM, business process management solutions from IBM, their forecasts are automatically consolidated in time to align with their manufacturing needs and sync with their inventory requirements, sync with their

demand now, so they're much more systemized in how they judge their inventory requirements in line with their customer demands.

Now also the sales team receives accurate forecasts on time, so therefore they're able to act more efficiently and effectively and meet the needs of customers. Let's move to the next slide for a bit of a synopsis around this same customer. That's slide 17.

We see here an as-is and a to-be process, which we like to sometimes look at, and just with the vague high-level imagery there in the top, you can see how previously the process was very disjointed and information and people that were required in and around that process were working in various different areas without a lot of alignment.

By contrast, the right-hand side of the chart shows a streamlined view that represents the automated process with improved visibility into the data that the retailers needed to increase sales. And by automating the promotion planning and execution process, the retailer was able to bring together their disparate business areas and achieve good results like increased sales, automatic forecasting and effective inventory management, as we spoke of. Next slide, please.

So we talked a bit about process automation and how one particular customer really achieved some great gains through that. Now let's talk about the second key area or initiative today, and that is the potential to improve promotions planning and management with rules-based decision management. This is key to helping retailers drive business agility in their processes and really talks to the point around providing the line-of-business staff with the information they need so that they have the details at the time they need it in context of the process so that then they can make informed decisions that help impact the success of the business.

With an automated process and rules-based decision-making, the retailer can achieve a higher level of intelligence in their operation, resulting in improved customer service and reduced costs. The screenshot on the right here, I'd love to have more time, but we're limited here on this webcast.

We have a great demonstration where you can contact us, we can walk you through it at a future date. This screenshot is a snapshot from that demonstration which illustrates the value of bringing rules-based decision-making into a business process. So in this demo we show how a line of business worker is empowered with the information they need to make a decision quickly on -- in this case it was they had a promotion and they got an alert come to them that let me know as the person, say I'm working in the retail organization, that I'm not going to have enough inventory to meet the needs of my promotion, which is already in place.

The newspaper ad's coming out soon, and quickly I need to get the information to find an alternate vendor. When the system is set up with rules-based decision-making in the background, it can do the thinking. Instead of me pulling out my manual spreadsheet and

flipping through, phoning alternate vendors, I can now have a system that can deliver to me the answer.

In this case, you see the red, green and orange boxes, and it's recommending to me one of the retailers highlighted in green, which the system has done the thinking according to the rules we set up, and it allows us to have the recommendation that we should proceed to place an order with this vendor that is ranked in good standing and has availability to meet our needs.

What an impactful, powerful thing, and again, this process in decision-making can apply to many business pains throughout. It doesn't need to just be around promotions, but this is the story for today. Next slide, please.

One more customer example before we move to some summary information for today and get on to some questions. On slide 19 here we see the story of a French beauty care retailer, and certainly they automated their process and then they used ILOG JRules, a WebSphere software offering which allowed them to automate their decision-making and set up business rules to automate the decision-making for great success in their promotions program.

What the company did was they had a paper-based loyalty program that offered no visibility. As I mentioned earlier, when a customers would have the store, they had a little hard coupon in their wallet they would pull out, maybe they had a newspaper clipping for an additional promotion, the person at the front desk had no way to cross-reference and manually the people in the back office were sitting down and cross-referencing, which would take a whole bunch of time, different paper spreadsheets to figure out okay, what is the best offer to give to the person that's now standing at the till?

Quickly, how can we figure out how to do that to keep them happy, give them the best promotional deal, depending on all the various items and offers that might be applicable to them based on their buying habits?

So what did the company do? They implemented this new loyalty program that helped them not only capture the sales data in real time and enable them to quickly react to trends and spoon out and deliver more effective promotions in future, as well as on-site, in-store, automating that process and delivering up the answer to the person at the front desk who can then have the right information to achieve the most optimum customer experience right then and there.

So they were able to create a customized loyalty card program within this organization that achieved a phenomenal 85% recognition rate of shoppers that were using it and embracing it and felt it really gave them some value add, and significantly boosted their customer loyalty. Some great results there for that retailer and a great story that we can certainly dive deeper into in subsequent conversations. We have a nice case study, too, on our website that we can point you to after this webcast is over for more background information on that great customer story. Next slide, please.

Now, based on these previous customer examples, we see that process optimization and decision management can bring many benefits to a retailer. Here we summarize some of these key high-level values in a big picture view. We note that retailers can reduce manual interactions and increase efficiencies to help ensure they get the right product to the right place, we've heard about that.

It could impact their merchandising programs that provide smarter shopping experiences and smarter operations. Looking at this, I think we need to remind ourselves of the value of simplifying business processes, to enable them then to be scaled across the organization, to reduce costs and complexity of the processes throughout the organization. And that's something, again, I want to raise the point we're talking here about the promotions planning process.

But keep in mind that this could be one entry point that then the assets and the learnings could be taken to other areas of the business. Other business processes could then be similarly optimized or similar rules and decision-making habits could be brought into other processes. So lots of good opportunity here with process optimization and decision management to help retailers or others, other industries as well, clearly, to improve business agility to meet the needs of the market. Next slide.

So a couple of key takeaways here. Let's recap. Retailers can improve success rates of their promotions and meet the needs of their customers with these proven initiatives focused on process optimization to drive business agility and improve efficiencies and decision management tools, which we just touched on in an introductory level, to empower line-of-business users to make more informed, in-context business decisions. Next slide.

Couple of slides here just around IBM -- why IBM, and then let's open it up to some questions here. IBM is a proven leader. Everyone knows we've got strong technology and services offerings to help retailers and others optimize the promotions planning and management process.

With optimized processes and decision management, retailers can help address these various items that we've noted here on the list -- improved customer acquisition, deliver better, more consistent promotions that are more detailed, to allow us to meet our customers' needs, and oh, yeah, cross-sell and upsell and add-on additional sales as well, for continued success.

Next slide, slide 23, just gives a bit of a snapshot of some of the key benefits of working with business agility through IBM. We're the number one leader in market share, all kinds of great nuggets there that people may already have a good sense of. So let's move on to one of my wrap-up slides here so we can get to the discussion for today.

I'd like to recommend an action plan for generating promotions that meet customers' needs, and again, what's really key here, I would recommend to any retailer having heard

the introductory information in the webcast here today, is to stop and assess and define the business need to determine where to start. Is your starting point is going to be process optimization, is your starting point going to be around business rules decision-making? Depending on where you're at, it could be either-or, kind of a chicken and egg discussion.

Another strong recommendation, as you define a road map and entry point to which process you're going to start with potentially, you need to bring both the business and IT sides of the house to the table in your organization to start this discussion, to really pick your starting point.

I've outlined here some takeaway questions to think about, to help you discern are your processes appropriately defined? Do you have a mechanism to track various tasks in a process? Do your line-of-business workers have the access to the information they need to make smart decisions, et cetera? So these are kind of takeaway questions that I hope will be helpful for you to sit down with people inside your organization or at your own desk and just contemplate starting points with process optimization and decision management.

I'll move to the next slide, slide 25, and if you're seriously interested in some next steps, I'd like to recommend that you consider taking part in a process improvement discovery workshop which IBM has to offer, where we actually can do some complimentary partnering with you to dig down into some of the questions I outlined on the previous slide and really try and work with you and various players in your organization to discern what's the right starting point for you, the best bang for the buck to get involved in all of this?

You don't need to start from soup to nuts and do the whole transformation of your organization. You can pick one starting point, one key process area or one key business pain, to start to gain some efficiencies in this area, and that's really a key piece to keep in mind. It doesn't need to be a daunting starting point.

Next slide, slide 26, there's a couple of key links that I suggest you refer to after the webcast is over, following the question-and-answer period. There's some good additional information on the Web links that you can refer to after.

With that, I will pause and go towards question time, if we have.

Peter Kraft: Yeah. Hi, this is Peter again. So we'll start the Q&A, but before we do I'd like to ask everyone to please fill out the feedback form. Could we have the next slide, please?

Please fill out the feedback form, slide 27 -- yes. Complete the form, please press the Submit Answer button at the bottom of the page. Thanks in advance for filling out the feedback form. Your participation helps us improve future webcasts.

So let's go on to the Q&As. Remember that you can ask questions at any time.

All right, our first question. What is the impact to retailers of mobility and how do these initiatives tie to that change in the market? Joanne?

Joanne Macdonald: Yes, that's a great question, and I touched on it maybe too quickly earlier. Certainly mobility is a very large factor in the changing market where retailers are operating, and this definitely highlights what we spoke about.

Customers are indeed more mobile, they're more informed. This is exactly why retailers need to be agile in their operations and need to be streamlined with their processes and empower their employees to have the information on hand to better serve customers. Customer retention is more important than ever, and of course the customer voice is louder than ever, with social media and there's so many ways we as consumers can express displeasure.

If we see an advertisement in a newspaper and we get excited and we go all the way down to the store in our car and park and go in and guess what, they don't have any more of the product that was advertised, how frustrating is that? Boy, do I as a customer ever have an opportunity to vent via my social media vehicles and word-of-mouth, et cetera.

More than ever, mobility is impacting retailers and they need to be able to be very well equipped and efficient and agile in their organizations, and that's really where BPM and decision management can help. So that's a good question. Mobility is definitely a hot topic and it highlights the need for these initiatives to be undertaken in the retail organization.

Peter Kraft: Great. Okay, here's another question. Which initiative should we undertake first, process automation or decision management? What's your recommendation?

Joanne Macdonald: Yes, well, I touched on that, I think, in my summation remarks there, and it's a bit of a chicken and egg question, which is always a fun one for debate. I'm just about to publish a white paper, actually, that will go live on the website you've noticed that's included here, that'll go live on there in the next week or two, and we're inviting people to join us in that debate around that.

Often, retailers choose to define and automate a process first, and this is how they're then able to identify the key decision-making points in the business where they need to inject some business decision management technology. However, it goes back to the need to really look at the business and determine where is the best starting point.

Do I have a specific known area of the business where we need to empower our workers with more information to make more accurate decisions because that's what's impacting our bottom line right now? Or is it a business process that we need to better document because our efficiencies are really lagging?

It's a chicken-and-egg discussion that really is part of the whole notion that you need to sit down and really think about what's the best starting point here. You don't need to jump in and do everything all at once. You need to just decide what's the best bang for the buck and where should you start. Whether that's process automation or decision management, is definitely a good conversation to have.

So yes, that's a good question. I don't have a finite answer, but often, people do start with BPM if they don't have specific decision areas of the organization that are causing them pain that they know of.

Peter Kraft: Okay. Here's another question for you, then. In addition to planning and managing promotions, what other process areas can decision management and BPM help retailers with?

Joanne Macdonald: Right, and if we can move back up to I think it was slide 8 for a moment, that will give folks on the call a little bit of a refresher. We see on that slide a wide variety of entry points, which I touched on previously. These are known areas of typical retail businesses where decision management and BPM can help retailers.

For instance, the process of vendor on-boarding is a key one. Many tasks involved in getting a new vendor on board, running them through compliance and tracking how they meet the needs and whether they're approved to become a certified vendor for your organization. Certainly some great efficiencies can be gained there, as well as the act of reconciling vendor trade fund agreements.

This is an area where retailers are leaving money on the table by not having the process tracked so that they can go back and reconcile some of the agreements they've made with some of their vendors to get the percentages and paybacks that are owed to them. With process optimization and some rules-based decision management, retailers can really get some significant revenue back in their pockets from automating that process.

So on slide 8, it notes a whole bunch of other key process areas or business pains that we know BPM and decision management can help address, so I encourage people to think about those. Put on their thinking caps and as you sit at your desk in your retail organization and think about what business processes or key pains in your organization would benefit from this, and this is just a snapshot of ones that we know about and we've talked to retailers about.

Peter Kraft: Okay, great. Well, that's what we have time for, so thank you.

Thank you for attending today's webcast, Five Jobs You Can Do Better With Intelligent Decision Automation, part four, Managing Pricing, Promotion and Loyalty Programs, brought to you by InformationWeek and IBM.

For more information about today's webcast you can visit any of the resources that we were showing you, and within the next 24 hours you will receive a personalized follow-

up email with details and a link to today's presentation on demand. You can also view today's event on demand by visiting www.NetSeminar.com.

This webcast is copyright 2011 by United Business Media LLC. The presentation materials are owned by or copyrighted, if that is the case, by InformationWeek and IBM, who are solely responsible for their content, and the individual speakers are solely responsible for their content and opinions.

On behalf of our guest, Joanne Macdonald, I'm Peter Kraft. Thank you for your time and have a great day.